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Czech Trade Promotion Agency (CzechTrade)

Analysis of the economic impacts of the proposed Directive
on Services in the Internal Market
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1 Management Summary

The proposed Directive on Services in the internal market is seen by the Czech Republic as an important initiative to promote competitiveness. It should expand the opportunities for Czech service providers in certain member states where the existing barriers have previously restricted their activities.

In November 2005, KPMG drew up an Analysis of the economic impact of the proposed Directive, which was based on the consolidated version of the proposed Directive of May 30th, 2005. During the intervening period, the proposed Directive has undergone further amendments. A decisive milestone was the European Parliament's debate on the proposed Directive, which was submitted for a first reading on February 16th 2006. A number of proposed amendments were adopted during this reading and these have fundamentally changed the original focus of the Directive. On April 4th, 2006 the Commission presented the revised proposed Directive, containing the European Parliament's amendments.

The aim of this analysis is to assess the potential economic impact of the implementation of both the proposed Directive on Services, including the modifications brought by the European Parliament's proposed amendments on February 16th 2006, and the present proposal for this Directive as it was presented by the European Commission on April 4th 2006, and to evaluate the effect these proposals for the Directive will have on the economy of the Czech Republic.

A comparative analysis was undertaken in order to ascertain the differences between individual proposals for the Directive. Within the framework of this comparative analysis, the proposed Directive of the EP dated February 2006 and the new related proposal from the Commission of April 4th 2006, were examined in detail. These proposals were then compared to the version that had previously been analysed. After analysing the individual amendments, modifications that were reflected in different economic impacts from the original proposed Directive were defined. These amendments were then divided into three groups, based on their different characteristics:

- amendments affecting the scope of the Directive;
- amendments affecting the final extent of the barriers;
- amendments relating to a reduction in the effectiveness of the removal of barriers in individual Member States.

The first two groups were directly projected into a **calculation of the economic impacts of the proposed Directive of the EP and the present Commission proposal**. After quantifying the impact of these two versions of the Directive, **the difference in their economic impact in comparison to that of the original consolidated version of the Directive dated 30.5.2005** was defined.

The third group of amendments only affects the proposed Directive of the EP, where the screening that each member state is required to carry out in order to identify and possibly to eliminate barriers (such as discriminatory authorization systems) has been substantially restricted. Failure to conduct this screening reduces the effectiveness of eliminating barriers, which would result in a reduction in the impact of the proposed Directive of the EP.

The impact the **proposed Directive of the EP** would have on the economic growth of the Czech Republic has been estimated at between **0.69 and 1.59% of GDP**, which is equal to approximately **17.6-40.6 billion CZK**. When compared with the original proposed Directive, this effect is between **26 and 38% lower**.

The impact of the proposed Directive of the EP on employment in the Czech Republic is forecast to create almost **18.7 thousand** new **jobs**, representing approximately **0.36% of the workforce** in the Czech Republic. This result is **27% lower** than that from the original proposed Directive.

Adoption of the proposed Directive of the EP will have a **positive impact on the volume of Czech exports**. Estimated growth should amount to approximately **CZK 12.5 billion in sales revenues and approximately CZK 5.24 billion in value added**. However, this growth in sales by Czech companies in foreign markets is **9% lower** than in the original proposed Directive.

The proposed Directive of the EP implies a reduction of **imports to the Czech Republic**, as a result of Czech businesses squeezing out foreign companies, with a subsequent redistribution of sales to the benefit of domestic firms.

Given the elimination of the screening requirement from the proposed Directive of the EP, the resultant impact of this proposed Directive will obviously be lower in practice than we have calculated here.

If we only take account of the groups of amendments for which we have calculated the economic effects, the impact of the **Commission's proposal** on the Czech Republic's economic growth was calculated as being lower than the impact of the proposed Directive of the EP, which was caused by removing transport-related activities from the scope of this proposed Directive. This is estimated at around **0.65-1.45% of GDP**, which corresponds to approximately **CZK 16.6-37.2 billion**. This result is **31-52% lower** than the original proposed Directive.

The estimated impact of the Commission's proposal for the Directive on employment in the CR amounts to almost **18.1 thousand** new **jobs**, which represents approximately **0.35% of the workforce** in the Czech Republic. In comparison with the original proposed Directive, this impact is **29% lower**.

The adoption of the Commission's proposal for the Directive will have a **positive impact on the level of Czech exports**. Our estimates place the level of growth at **CZK 12.3 billion in sales revenues and approximately CZK 12.3 billion in value added**. However, in comparison with the impact of the original proposed Directive, this growth in sales by Czech businesses in foreign markets is still **10% lower**.

The Commission's proposal for the Directive will also bring **a reduction in the level of imports into the CR**.

In the event that transport-related activities are included in the scope of the Commission's proposal for the Directive, the economic impacts of this proposed Directive would be the same, or even higher (more positive) than in the proposed Directive of the EP, where a number of provisions relating to screening have been omitted.

In conclusion, we have presented a general evaluation of the options available for the CR to comply with the requirement **to create centralized contact points** using the existing network of similar institutions in the CR. On the basis of the established parameters, the following institutions were reviewed:

- Central registration offices for entrepreneurs;
- Information centres for entrepreneurs;
- Euro Info Centres;

- Regional advisory information centres.

None of these institutions fully comply with the criteria at the present time. However, in order to conduct a qualified evaluation of the options available to meet the requirements for centralised contact centres, it is **essential to map out and to assess the existing usable capacity of individual institutions in the network**, to evaluate the possibilities of synergetic effects and to carry out a detailed calculation of the costs of setting up and operating individual contact centres within the framework of the options available.

2 Status Quo

Background to the analysis

The proposed Directive on Services represents one of the most important moves towards completing the internal market. It is a horizontal instrument, which aims to facilitate the establishment of service providers and the cross-border provision of services in the internal market and covers almost the entire range of services. The proposed Directive is seen by the Czech Republic as a fundamental basis for encouraging competitiveness. Because of this, the Czech Republic supports this proposal and considers its adoption to be an essential condition for the creation of an internal market for services. It will increase the opportunities available to Czech service providers, which have up to now remained restricted because of the obstacles existing in certain member states.

The first proposed Directive was submitted by the European Commission in January 2004. After the submission of the EC draft, the process of negotiating the proposal with the competent EU institutions began. In June 2005 the Czech Agency for the promotion of trade (hereinunder referred to as "CzechTrade") approached KPMG with a request to draw up an Analysis of the Economic Impacts of the Proposed Directive on Services on the internal market and its effect on the application of Czech companies in an international environment. On the basis of its offer, KPMG was selected to conduct the analysis and the final version was submitted by the deadline of November 9th 2005.

The analysis referred to above was drawn up on the basis of the consolidated version of the proposed Directive of May 30th, 2005 (hereinunder referred to as the "original proposed Directive"). During the period following the submission of this analysis, the proposed Directive was subjected to further amendment. A deciding milestone was the discussion of the proposed Directive by the European Parliament, where it underwent a first reading on February 16th, 2006. A number of proposed amendments were incorporated during this reading, and these fundamentally changed the original focus of the Directive.

The Czech Republic adopted an official position towards the results of the first reading. The position of the CR contains a number of reservations concerning the adopted amendments, given the fact that the nature of most of these amendments tend to restrict certain of the positive effects which the original version of the proposed Directive would have brought the CR. These primarily relate to the considerable limitation placed on the scope of the Directive, where a whole series of service sectors have been excluded, as a result of which we can expect a reduction of the anticipated positive impacts of the adopted Directive, both in terms of the numbers of new jobs created, and of growth in GDP. Significant changes were also made to the country of origin principle, which was de facto deleted from the Directive. Provisions regulating the posting of workers were also removed.

On April 4th 2006, the Commission submitted a revised proposed Directive, incorporating the amendments made by the European Parliament, which were acceptable to the Commission, and also containing certain explications which had been the subject of discussions by the EU Council.

The modifications to the original consolidated version of the proposed Directive of 30.5.2005 outlined above, also affect the model of economic impacts, and, subsequently the results and conclusions of the analysis that KPMG drew up for CzechTrade on the basis of the original consolidated version of the proposed Directive of 30.5.2005. Because of this, CzechTrade has requested that KPMG update the earlier Analysis of Economic Impacts of the Proposed Directive on Services in the Internal Market.

2.2 2.3

Aims of the Analysis

The aim of this analysis is to determine the potential economic impacts of implementing both the proposed Directive on Services of February 16th 2006, incorporating the European Parliament's proposed amendments, and the current draft of this Directive as submitted by the European Commission on April 4th 2006, and to assess the effect of these proposed Directives on the economy of the CR as a whole, i.e. on basic macro-economic indicators such as economic growth, employment, price levels and the balance of trade.

This analysis will also calculate the impact of the proposed amendments, i.e. it will define the difference in the economic impacts between the proposed European Parliament and European Commission Directive referred to above and the economic impacts of the consolidated version of the proposed Directive of May 30th 2005.

Significance of the Directive on Services

In general, the Directive on Services in the EU internal market is seen as an instrument to facilitate the free movement of services, where one of the fundamental goals is **to improve the basis for economic growth and employment in the EU**. This means that the Directive plays a vital role in the process of economic reform launched by the Lisbon strategy. A whole series of market barriers currently prevent many service providers from growing across national borders and from fully benefiting from the EU internal market. This also undermines global competitiveness, not only of EU service providers, but also of the EU manufacturing sector, which increasingly relies on high quality services. It also makes Europe a less attractive place for foreign investment.

Another goal of the Directive is **to remove legal and administrative barriers to the development of cross-border service activities**. These barriers arise both when service providers from one Member State wish to establish themselves in another Member State and when they wish to provide a service from their Member State of establishment into another Member State (for example by setting up a subsidiary). The Directive therefore seeks to facilitate the exercise of these two fundamental freedoms enshrined in the EC Treaty – the freedom of establishment and the freedom to provide services – and to give service providers greater legal certainty.

The Directive on Services aims to **strengthen the rights of consumers as users of services**. Consumer demand for services from foreign suppliers is not being fully met, mainly due to legal and administrative obstacles and a lack of information on and confidence in services from other EU Member States. The Directive attempts to address these problems by applying the principle of non-discrimination to service receivers and by requiring a greater level of transparency and information from service providers.

And, finally, the Directive establishes **legally-binding obligations for effective administrative cooperation between Member States**. Regulatory authorities in Member States have little knowledge of, and therefore little trust in, the legal framework and supervision existing in other Member States. This results in duplication of rules and controls for cross-border activities. The Directive establishes legal obligations governing the exchange of information and mutual assistance between Member States.

Because one of the main aims of the Directive is to eliminate barriers and to simplify the cross-border provision of services, we can assume that, in the case of the Czech Republic, the adoption of the Directive would mainly help those Czech companies who export, or intend to export, their services abroad.

It is expected that the adoption of the Directive will bring the greatest benefits to small and medium-sized enterprises which, unlike larger enterprises, generally lack sufficient resources to overcome the barriers to the provision of services in different states.

The promotion of free movement of services, as one of the founding principles of the EU, will therefore benefit a number of Czech companies in that they will be able to expand their activities into a larger market. In real terms, this means that Czech firms will be able to:

- take advantage of increasing earnings of scale;
- reduce average fixed costs;
- utilise better possibilities to accumulate capital;
- use the opportunity to build up an international network;
- use resources obtained from increased sales and profits (i.e. those relating to the growth of the enterprise itself) for innovation and to invest into research and development of new products (services).

A winning strategy for small and medium-sized enterprises could also be based on the provision of top quality specialised services and focusing on gaps in the market (so-called "niche markets"). They would have a greater chance of success, growing and attaining market leader positions in these types of market.

Opening the market to service providers would also mean better propagation of "know-how" and "best practices". The application of "best practices" in companies would mean improving the services provided, making the enterprise processes more effective and reducing costs.

Another possible advantage of eliminating obstacles to a free market for Czech firms may also be the fact that in the more developed states of the EU with higher purchasing power, consumers give priority to a higher quality of service, demand for which is very much restricted in the CR. This may result in improvements in the quality of services provided by Czech enterprises abroad.

The elimination of obstacles to the free movement of services does not only mean opportunities for Czech firms because it also brings a certain level of risk and can represent a threat in that foreign service providers will have easier access to the Czech market. This competition should bring advantages to consumers in the form of lower prices.

3 Comparative analysis of the proposed Directives

In order to update the analysis of the economic impacts of the proposed Directive on Services in the EU internal market, which KPMG drew up in November 2005, one of the key steps involves defining the differences between the new proposed Directive and the proposed Directive of May 30th 2005, on which the original analysis referred to above was based.

Within the framework of the comparative analysis, the proposed Directive of the EP of February 16th 2006 and the related new Commission proposal of April 4th 2006 were reviewed in detail. These proposed Directives were compared to the consolidated version of the proposed Directive dated 30.5.2005, which had previously been analysed. After analysing the individual amendments, the relevant changes that are reflected in different economic impacts as compared to the original consolidated version of the proposed Directive of 30. 5. 2005.

The following procedures, comprising two main stages, was selected for the comparative analysis of the individual proposed Directives:

- 1) An analysis of those amendments affecting individual analysed types of service (according to the NACE classification), **i.e. the scope of the Directive**;
- 2) An analysis of those amendments affecting all the analysed types of service, i.e. **amendments affecting the final level of the barriers**.

Within the framework of each of these steps we defined:

- the change between the consolidated version of the proposed Directive of 30. 5. 2005 and the proposed Directive of the EP of 16. 2. 2006;
- the change between the proposed Directive of the EP of 16. 2. 2006 and the new Commission proposal for the Directive of 4. 4. 2006.

Amendments relating to the scope of the Directive

The scope is set forth in Article 2 of the proposed Directive, which restricts those services that do not fall under the scope of the Directive. The European Parliament's proposed amendments of 16. 2. 2006 expanded the area of services that are not covered by the Directive. Changes in the proposed Directive in terms of its scope are shown in the following table²:

² In the analysis of the economic impacts of the proposed Directive on Services, which KPMG drew up in November 2005, certain services that fell under the scope of the Directive but were not suitable for detailed analysis because of their marginality from a macro-economic viewpoint, or due to the high level of regulation, which prevents the development of a market for services in certain economic sectors, were not subjected to detailed analysis. This relates to the following types of service:

- NACE 40 – Production and distribution of electricity, gas, steam and hot water supply;
- NACE 41 – Collection, purification and distribution of water;
- NACE 64 – Post and courier activities other than national post activities; Delivering the content of telecommunications;
- NACE 99 – Extra-territorial organizations and bodies.

Tab. 1: Amendments in the proposed Directive in terms of its scope

	Service sector by NACE classification	Services not covered by the original consolidated version of the proposed Directive of 30.5.2005	Services not covered under the scope of the proposed EP Directive of 16.2.2006	Services not covered under the scope of the proposed Commission Directive of 4.4.2006
40	Production and distribution of electricity, gas, steam and hot water supply	-		
41	Collection, purification and distribution of water	-		
45	Construction	-		
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	-		
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles			
52	Retail trade, except of motor vehicles and motorcycles+ repair of personal and household goods			
55	Hotels and restaurants			
60	Land transport; transport via pipelines	Transport services (NACE 60, 61, 62) except transport of cash and transport of deceased persons	Transport services including municipal transport, taxi services and ambulance services (NACE 60, 61, 62)	Transport services (NACE 60, 61, 62) transport related services under Title V Treaty on the EC (see NACE 63)
61	Water transport			
62	Air and space transport			
63	Supporting and auxiliary transport activities; activities of travel agencies	-	Harbour services	Harbour services (part of NACE 63.22) Transport related services under Title V Treaty on the EC (NACE 63.1, 63.2 and 63.4)
64	Post and telecommunications	Electronic communications services and networks and related equipment and services, where contained or listed in the Directives of the EP and Council 2002/19/EC, 2002/20/EC, 2002/21/EC, 2002/22/EC, 2002/58/EC (i.e. postal and courier services, national post activities, telecommunication;	Electronic communications services and networks and related equipment and services, where contained or listed in the Directives of the EP and Council 2002/19/EC, 2002/20/EC, 2002/21/EC, 2002/22/EC, 2002/58/EC (i.e. postal and courier services, national post activities, telecommunication;	Electronic communications services and networks and related equipment and services, where contained or listed in the Directives of the EP and Council 2002/19/EC, 2002/20/EC, 2002/21/EC, 2002/22/EC, 2002/58/EC (i.e. postal and courier services, national post activities, telecommunication;
65	Financial intermediation, except insurance and pension funding	The entire NACE 65 section	The entire NACE 65 section	The entire NACE 65 section
66	Insurance and pension funding, except compulsory social security	The entire NACE 66 section	The entire NACE 66 section	The entire NACE 66 section
67	Activities auxiliary to financial intermediation	The entire NACE 67 section	The entire NACE 67 section	The entire NACE 67 section
70	Real estate activities			
71	Renting of machinery and equipment without operator and of personal and household goods			
72	Computer and related activities			
73	Research and development			
74.1	Legal and accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings			
74.2-74.8	Other business activities (except for NACE 74.1)	-	Labour recruitment and provision of temporary personnel (part of NACE 74.5) Investigation and security activities	Labour recruitment and provision of temporary personnel (part of NACE 74.5) Investigation and security activities
80	Education			
85	Health and social work		Health care regardless of whether it is provided within the framework of a medical centre or outside it, and regardless of its form of organisation and financing on a national level and of whether it is provided by a public or private individual (NACE 85.1) Social work activities, such as social housing services, childcare and services for families (NACE 85.3)	Health care regardless of whether it is provided within the framework of a medical centre or outside it, and regardless of its form of organisation and financing on a national level and of whether it is provided by a public or private individual (NACE 85.1) Social work activities, such as social housing services, childcare and services for families (NACE 85.3)
90	Sewage and refuse disposal, sanitation and similar activities			
92	Recreational, cultural and sporting activities		Audiovisual services regardless of the method of their production, distribution and transmission, including radio broadcasting and cinema (NACE 92.1 and 92.2) Gambling and betting activities, covering financial wagers, including lotteries, casinos and gambling games (NACE 92.71)	Audiovisual services regardless of the method of their production, distribution and transmission, including radio broadcasting and cinema (NACE 92.1 and 92.2) Gambling and betting activities, covering financial wagers, including lotteries, casinos and gambling games (NACE 92.71)
93	Other service activities			
99	Extra-territorial organizations and bodies			

In addition to the excluded service sectors shown in the table, the original consolidated version of the proposed Directive of 30.5.2005 also eliminated from the scope of the Directive **activities contained in Article 45 of the Treaty, i.e. activities relating to the exercise of official authority**. However, the proposed EP Directive extends this proposed EP amendment and also eliminates *"occupations and activities, which are permanently or occasionally connected with the exercise of official authority in any given Member State, particularly the activity of a notary public"*. The subsequent proposal by the Commission reverts to the original text and only eliminates activities rather than occupations relating to the exercise of official authority.

3.1.1 Amendments to the scope of the Directive that affect its overall economic impact

3.1.1.1 Transport services

The original consolidated version of the Directive of 30.5.2005 eliminated from its scope "transport services with the exception of the transport of cash and the transportation of deceased persons". The transport of cash and the transport of deceased persons were consequently included in the consolidated version of the original proposed Directive of 30.5.2005. The transport of cash falls under NACE category 74.6, Investigation and Security activities and the transport of deceased persons under NACE category 93.03, Funeral and related activities. Therefore the inclusion of the transport of cash and the transport of deceased persons does not effect the elimination of the NACE sections 60-62. However the transport of cash is eliminated from the scope of the proposed EP Directive and the new Commission proposal with the removal of the Security activities (NACE 74.6). Transport of deceased persons remains within the scope of the proposed EP Directive, or the Commissions.

The proposed EP Directive eliminates *"transport services including municipal transport services, taxi services and ambulance services"*. Under the NACE classification, ambulance services fall under activities connected to health care (NACE 85.1). This NACE group was also taken out of the scope of the Directive (see Table 1). The proposed EP Directive and the related Commission version also eliminate Harbour services, which fall under the NACE 63.22 category.

The Commission proposal of 4. 4. 2006 extends the definition of the eliminated services to cover *"transport services and services connected with transport according to Title V of the Treaty on the EC"*. This definition therefore also eliminates supporting and auxiliary transport activities (NACE 63.1, 63.2 and 63.4 – see table). However, the activities of travel agencies and tour operators (NACE 63.3) fall under the scope of the Directive.

3.1.1.2 Other business activities except for legal and accounting services

In the NACE 74 section, Other business activities, the activities of temporary work agencies were eliminated from the scope of the Directive (part of NACE 74.5) and security services (NACE 74.6).

3.1.1.3 Health and social work

Health care (NACE 85.1) and social work (NACE 85.3) were also eliminated from the scope of the Directive. while the proposals by the EP and the Commission differ from each other in the definition of the eliminated services. The proposed EP Directive eliminates from the scope of the Directive *"social services such as social housing, childcare and family services"*. This definition of the eliminated social services is then contracted to *"social services connected to social housing, childcare and support for families and people in need"*. However, both definitions cover the activities set forth in the NACE category 85.3 – Social work activities. This definition also includes full-time care of children in kindergardens, which is part of the section NACE – Education, and full-time care of children at home, which comes under NACE section 95 – Activities of households as employers of domestic staff.

From the NACE section 85 Health and social work; veterinary activities remain within the scope of the Directive as veterinary activities (NACE 85.2).

3.1.2 Amendments to the scope of the Directive that do not affect its economic impact

Apart from the amendments to the scope of the Directive referred to above, Article 2 of the Directive has also undergone additional changes, which are only formal in nature and do not affect the original scope of the Directive. In the European Parliament version, reference is made to the following proposed amendments relating to exclusions from the scope of the Directive (Article 2, paragraph 2):

- *services in the general interest as defined by the Member States* – the consolidated version of the proposed Directive of 30.5.2005 did not refer to these services on the basis of Article 1 and explanatory notes 7a to 7c; therefore the explicit elimination of these services in Article 2 makes no change in practice;
- *legal services in so far as they are regulated by other Community instruments, including Directive 77/249/EEC of March 22nd 1977 to facilitate the effective exercise by lawyers of freedom to provide services and the Directive of the European Parliament and Council 98/5/EC of February 16th 1998 to facilitate practice of the profession of lawyer on a permanent basis in a Member State other than that in which the qualification was obtained* - the exclusion of this area from the scope of the Directive derives from Article 3 of all the existing drafts of the Directive.

3.1.3 Service sectors that remain unchanged within the scope of the Directive

The following analysed service sectors, broken down according to their NACE classification, remain unchanged as far as the scope of the proposed EP Directive and Commission proposal are concerned:

- NACE 45 Construction;
- NACE Sale, maintenance and repair of motor vehicles;
- NACE 51 Wholesale trade;
- NACE 52 Retail trade;
- NACE 55 Hotels and restaurants;
- NACE 70 Real estate activities;
- NACE 71 Renting of equipment and machinery;
- NACE 72 Computer and related activities;
- NACE 73 Research and development;
- NACE 80 Education;
- NACE 90 Sewage and refuse disposal;

- NACE 93 Other service activities.

Amendments affecting the final level of barriers

Apart from changes relating to the scope of the Directive, additional amendments were introduced which touch on all services in general and to which the proposed Directive relates. These amendments then modify the final height and extent of the barriers in three ways:

- by further eliminating existing barriers;
- by maintaining barriers that the original consolidated version of the proposed Directive of 30.5.2005 eliminated;
- by reducing the effectiveness of the elimination of barriers by Member States.

Apart from amendments that will impact the final level of barriers to the cross-border provision of services, a whole series of amendments have been introduced into the EP and Commission proposal for the Directive that do not affect the final level of the barriers. At the first stage of the comparative analysis, these amendments were eliminated because their relationship to the purpose and objectives of the analysis of economic impacts was seen as irrelevant.

Therefore, only relevant proposed amendments, which affect the final level of the barriers and, thereby the economic impacts of the proposed Directive were selected for further analysis. They are listed in the table below:

Tab. 2: Amendments affecting the final level of barriers

Article	Amendment in the proposed Directive of the EP of 16.2.2006 compared to the consolidated version of the proposed Directive of 30.5.2005	Amendment in the Commission proposal of 4.4.2006 compared to the proposed Directive of the EP of 16.2.2006
7 Right to information	The right to information is further strengthened by the requirement for a "simple step-by-step guide"	Unchanged
8 Authorisation schemes	Paragraph 2, according to which the Member States identify their authorisation schemes in the report in accordance with Article 41 and give reasons to show their compatibility with paragraph 1 (non-discrimination, overriding reasons relating to the public interest and the impossibility of imposing less restrictive measures)	The Commission's proposal for the Directive reverts to the original wording, i.e. paragraph 2 remains in the proposal
13 Authorisation procedures	Member States shall ensure that the applicant receive a response within the time period set, whereas, according to the original version, failing a response with the time period set the authorisation shall be deemed to have been granted	The Commission's proposal for the Directive reverts to the original wording, i.e. failing a response within the time period set, authorisation shall be deemed to have been granted
15 Requirements to be evaluated	Certain requirements that must be evaluated by Member States (i.e. whether they apply them and, if so, whether they comply with the conditions of non-discrimination, necessity and proportionality), were removed from the Directive. This applied to the following requirements: h) prohibitions and requirements concerning below cost and sales i) requirement for agencies to enable access to certain specific services provided by other service providers	Unchanged
15 Requirements to be evaluated	Paragraph 5, according to which, from the date of entry into force of the Directive, Member States were originally not able to introduce any new requirement of a kind used in paragraph 2. The EP proposal replaces this wording with a provision that this article does not apply to legal requirements concerning services of general economic interest and to the social security system, including compulsory health insurance	The Commission's proposal for the Directive reverts to the original wording, i.e. Member States shall not introduce any new requirement of a kind listed in paragraph 2, unless that requirement satisfied the conditions laid down in paragraph 3 and the need for it arises from new circumstances
16 Freedom to provide services	The principle of the country of origin was replaced by the "freedom to provide services"	Unchanged
17 Additional derogations	The original derogations from the principle of the country of origin are now taken to be derogations (exceptions) from the freedom to provide services. The following derogations were removed from the proposed Directive (i.e. the freedom to provide services does not apply to them): 21) service agreements with consumers, if the provisions governing these agreements are not fully harmonised at a Community level 23) non-contractual liability of a provider in case of an accident involving people where this accident occurred as a result of actions by a service provider in a Member State to which the provider has moved temporarily	Unchanged
23 The assumption of health care costs	Article deleted	Unchanged
24-25 Posting of workers	Article deleted	Unchanged
30 Multidisciplinary activities	In the report according to Article 41, the Member States do not indicate which providers are subject to the requirements laid down in paragraph 1, the content of these requirements and the reasons for which they are justified. According to paragraph 1, these are requirements that require a specific activity to be carried out, or which restrict the common performance of various activities or their performance within the framework of a partnership	The Commission's proposal for the Directive reverts to the original wording, i.e. in the report referred to in Article 51, Member States shall indicate which providers are subject to the requirements laid down in paragraph 1, the content of these requirements and the reasons for which they consider them justified
41 Mutual evaluation	The report the Member States have to present to the Commission does not have to contain information on authorisation schemes (Art 9) and on multidisciplinary activities (Art 30). Only information on requirements to be evaluated (Art 15) remains in the report	The Commission's proposal for the Directive reverts to the original wording, i.e. Member States shall present a report to the Commission, containing the information specified in the following provisions: a) Art. 9 para.2 on authorisation schemes b) Art. 15 para. 4 on requirements to be evaluated c) Art. 30 para.4 on multidisciplinary activities

3.2.1 Amendments facilitating further elimination of barriers

The only amendment that leads to further elimination of barriers, or for making it easier to overcome them is the emphasis on the right to information (Article 7) by a "simple step-by-step guide", which will be provided on request by the points of individual contact. This will lead to further cost savings for both service providers and recipients in the acquisition of information on the requirements and formalities they must fulfil in a given Member State.

3.2.2 Amendments facilitating the maintenance of barriers that the consolidated version of the original proposed Directive of 30.5.2005 eliminated

Amendments, which lead to the relative maintenance of existing barriers, relate to the following Articles of the Directive:

- Article 15 Requirements to be evaluated;

- Article 16 Freedom to provide services (originally the Principle of the country of origin);
- Article 17 Additional derogations from the freedom to provide services;
- Article 23 The assumption of health care costs;
- Article 24-25 Posting of workers.

Article 15 sets forth requirements that Member States can only enforce on the understanding that they have fulfilled the conditions of non-discrimination, necessity and proportionality. In contrast to the original proposed Directive, the list of these requirements in the proposed Directive by the EP or Commission's proposal stripped of restrictions and obligations relating to sales at below cost price and sales and of the requirement that a provider of agency services allow access to certain specific services provided by other service providers. This amendment de facto means that Member States can continue to apply these requirements without having to fulfil the conditions of non-discrimination, necessity and proportionality. A further amendment in this article is that it is not set forth in the proposed Directive by the EP that States may not, after the Directive comes into effect, introduce any new requirement corresponding to the type of requirements set out in the article. However, this amendment was not acceptable to the Commission and the Commission proposal of 4. 4. 2006 reverts to the original text.

Article 16 - Principle of the Country of Origin - underwent the most fundamental change and was replaced with a new article – Freedom to Provide Services. The exclusion of the principle of the country of origin means that the legislation of the country where the services are to be provided will apply to the cross-border provision of services, which hampers service providers by placing increased demands on them as regards their knowledge of and compliance with the laws of the target State. On the other hand, this does give service recipients greater trust and confidence in foreign providers. The new article "Freedom to Provide Services" sets forth that the destination State may not subject the provision of services from another Member State to compliance with any requirements which do not respect the principles of non-discrimination, necessity and proportionality. In addition, the original derogations from the country of origin principle are now set out as derogations to the freedom to provide services (Article 17 Additional derogations).

The proposed directive by the EP relating to the removal of Article 23 - Assumption of healthcare costs was accepted by the Commission on condition that a new proposal for separate legislation covering the health services be submitted. The Commission also accepted the removal of Articles 24 and 25 Posting of workers, and issued separate instructions to the Member States in order to reduce the administrative barriers existing in the area and to improve the system of administrative cooperation.

3.2.3 Amendments leading to a reduction in the effectiveness of eliminating barriers in the Member States

The proposed EP Directive of 16. 2. 2006 also contains amendments that will lead to a reduction in efficiency by eliminating barriers concerning the implementation of this proposed Directive in individual Member States. This applies in particular to amendments made to the following articles in the Directive:

- Article 9 Authorisation schemes;
- Article 13 Authorisation procedures;
- Article 30 Multidisciplinary activities;

- Article 41 Mutual evaluation.

Under the terms of the original Article 13 Authorisation procedures, failing a response within a certain time period, authorisation was deemed to have been granted. However the proposed Directive by the EP only states that Member States are responsible for ensuring that a response has been received within a certain time period. In the event that there is a reason that a response was not received within a certain time period, "tacit" authorisation is contentious.

Additional amendments (Articles 9, 30 and 41) relate to screening, which provides that individual Member States are required to review the application of barriers relating to authorisation schemes or requirements that restrict the performance of various activities (multidisciplinary activities). The original proposed Directive stipulated that Member States were to perform this screening and submit a report to the Commission on the results thereof. According to the proposed Directive by the EP, the report that Member States have to submit to the Commission will not contain information on Authorisation schemes (Article 9) or on Multidisciplinary activities (Article 30), but only information on requirements to be evaluated (Article 15). The removal of the screening obligation may lead to Member States adopting a "passive" approach to the elimination of barriers. This means that Member States will not be forced directly to review and eliminate the barriers they apply. Member States will only be forced to eliminate unauthorised barriers (such as a discriminatory authorisation schemes) once complaints have been received or action taken by service providers.

The amendments contained in the proposed EP Directive of 16. 2. 2006 therefore reduce the effectiveness of the Directive to eliminate barriers imposed by individual Member States. The impact of the proposed Directive by the EP as quantified in this analysis should therefore be regarded as unsure. This means that the effects of the proposed Directive by the EP may in reality be far lower, depending on the approach to remove barriers adopted by individual Member States.

These proposed amendments by the EP, reducing the effectiveness of the implementation of the Directive, were not acceptable to the Commission. This means that the Commission proposal of 4.4.2006 reverts to the original text of 30.5.2005, which basically guarantees that barriers applied by individual Member States will be eliminated.

4 Macro-economic impacts of the adoption of the Directive for CR

The objective of the proposed Directive on services in the internal market is to simplify trade with services in the EU internal market and to increase its effectivity, which should increase the economic strength of the EU and improve its global competitiveness. An important aspect of discussions on the form of the Directive concerns an assessment of the macro-economic impacts of the Directive as a whole and on the individual economic sectors to which it applies.

According to the analysis of the economic impacts of the consolidated version of the original proposed Directive of 30.5.2005, which was drawn up by KPMG in November 2005, positive impacts would outweigh the negative in the implementation of this proposed Directive. The efforts of Czech bodies to enter discussions on the final form of the proposed Directive are defined in the position the CR should defend in relation to the proposed amendments by the EP and the new version of the proposed Directive.

In the following subsections, the impact of the proposed Directive on macro-economic indicators in the CR is first quantified, and then the affect of the Directive on selected "sensitive" service sectors is assessed.

The impact of the proposed Directive by the EP of 16.2.2006, quantified in this analysis must be seen as the maximum possible impact, on the assumption that the Member States will eliminate all barriers to the extent defined in this proposed Directive. Certain provisions touching on screening, which rely on individual Member States reviewing the current presence of barriers and submitting reports on the results of this review to the Commission are not included in the proposed Directive by the EP. The removal of the screening obligation may lead to Member States adopting a "passive" approach to the elimination of barriers and a reduction in the effectiveness of the implementation of the Directive. This leaves the risk that the impact of the proposed Directive by the EP will, in reality, have far less effect than the impact quantified in this analysis.

Impact of the Directive on the macro-economic indicators of the CR

In this sub-section, the impact of the proposed Directive on macro-economic indicators in the CR is quantified. The impact of the proposed Directive by the EP of 16.2.2006 is first quantified in terms of each indicator, and then the impact of the new Commission proposal of 4.4.2006. As a final stage, these two proposals for the Directive are compared to the impacts of the consolidated version of the original proposed Directive of 30.5.2005. To distinguish between the different versions of the proposed Directive, the following terminology will be used in the tables:

- NS 1 – consolidated version of the proposed Directive of 30.5.2005;
- NS 2 – proposed Directive by the EP of 16.2.2006;
- NS 3 – Commission proposal for the Directive of 4.4.2006.

4.1.1 Impact of the Directive on the Czech Republic's economic growth

The impact of the **proposed Directive by the EP** on economic growth in the Czech Republic was estimated to represent **0.69-1.59% of GDP**, which gives us an approximate total of **CZK 17.6-40.6 billion**. This growth is generated in a roughly uniform manner by an increase in value added and a decrease in prices in the service sectors analyzed.

The impact of the **Commission proposal** on the economic growth of the Czech Republic is slightly lower than the impact of the proposed EP Directive, on condition we only take account of those groups of changes for which an economic impact was calculated. This is estimated to be in the region of **0.65-1.45% of GDP**, which gives us an approximate total of CZK **16.6-37.2 billion**. This difference is caused by the removal of activities related to transport from the scope of the Directive.

In comparison with the original proposed Directive the over impact of the proposed versions of the Directive by the EP or Commission on economic growth in the CR is **26-38%, or 31-52% lower**.

4.1.1.1 Impact of the Directive on the Czech Republic's economic growth generated by growth in value added

Impact of the proposed Directive by the EP of 16.2.2006

The growth in value added as a result of the implementation of the **proposed Directive by the EP** is expressed as a direct rise in GDP of **0.69%**.

The proposed Directive by the EP was found to have a mild impact GDP growth of legal and accounting activities (NACE 74.1), construction (NACE 45) and wholesale trade (NACE 51). The growth in value added in these service sectors would produce a rise in GDP of 0.39%. In the wholesale sector this growth is primarily stimulated by rising export figures, while in the other services we have listed, it would be generated on the domestic market. In the construction and wholesale sectors, this surplus is mainly generated by a higher initial value added base, while the legal and accounting services would generate additional value added through a significant increase in the existing values.

The implementation of the proposed EP Directive would have a slight negative impact on the hotels and restaurants sector (NACE 55), renting of machines and equipment (NACE 71), computer and related activities (NACE 72) and recreational, cultural and sporting activities (NACE 92). In these service areas, the decline in value added on the domestic market outweighs the increase in value added from exports. However, given the growth levels in other service areas, this negative effect is negligible.

Tab. 3: *Impact of the proposed Directive of the EP on the growth in value added and growth in GDP in the CR*

Service sector by NACE classification	Contribution of the service to growth in GDP by growth in value added (in CZK billions)	Percentage growth of added value in the services analysed on GDP	Percentage growth of added value for the overall growth in added value in the services analysed	Cumulative share of growth in added value in overall growth in added value in the services analysed
45 Construction	3,448	0.13%	19.58%	19.58%
50 Sale, maintenance and repair of motor vehicles and motorcycles	396	0.02%	2.25%	21.82%
51 Wholesale trade	3,257	0.13%	18.49%	40.32%
52 Retail trade	1,961	0.08%	11.14%	51.45%
55 Hotels and restaurants	-77	0.00%	-0.44%	51.01%
63 Supporting and auxiliary transport activities; activities of travel agencies	1,220	0.05%	6.93%	57.94%
70 Real estate activities	1,537	0.06%	8.72%	66.66%
71 Renting of machinery and equipment	-229	-0.01%	-1.30%	65.36%
72 Computer and related activities	-8	0.00%	-0.05%	65.32%
73 Research and development	99	0.00%	0.56%	65.88%
74.1 Legal and accounting activities	3,329	0.13%	18.90%	84.78%
74.2-74.8 Other business activities (except for NACE 74.1)	451	0.02%	2.56%	87.34%
80 Education	399	0.02%	2.26%	89.60%
85 Health and social work; veterinary activities	51	0.00%	0.29%	89.89%
90 Sewage and refuse disposal	914	0.04%	5.19%	95.08%
92 Recreational, cultural and sporting activities	-91	0.00%	-0.52%	94.56%
93 Other service activities	383	0.01%	2.17%	96.74%
SUBTOTAL	17,038	0.67%	96.74%	-
64.12 Post and courier activities (except national post activities)	21	0.00%	0.12%	96.85%
Part of 64.2 Telecommunications: content provider	554	0.02%	3.15%	100.00%
TOTAL	17,613	0.69%	100%	-
GDP for the CR in 2003 in CZK billions	2,555,800	100%		

Impact of the Commission proposal of 4.4.2006

The growth in value added created through the implementation of the **Commission proposal of 4.4.2006** is expressed through a rise of **0.65%** in GDP. The lower positive impact compared to the implementation of the EP Directive is caused by the removal of supporting and auxiliary transport activities (NACE 63.1, 63.2 and 63.4) from the scope of the Directive. In other service sectors, the impact on the growth of value added identical with the proposed Directive by the EP.

Tab. 4: *Impact of the Commission proposal for a Directive on the growth in value added and the growth in GDP in the CR*

Service sector by NACE classification	Contribution of the service to growth in GDP by growth in value added (in CZK billions)	Percentage growth of value added on GDP in the services analysed	Percentage growth of value added for the overall growth in added value in the services analysed	Cumulative share of growth in value added in overall growth in added value in the services analysed
45 Construction	3,448	0.13%	20.82%	20.82%
50 Sale, maintenance and repair of motor vehicles and motorcycles	396	0.02%	2.39%	23.20%
51 Wholesale trade	3,257	0.13%	19.66%	42.87%
52 Retail trade	1,961	0.08%	11.84%	54.71%
55 Hotels and restaurants	-77	0.00%	-0.47%	54.2401%
63 Supporting and auxiliary transport activities; activities of travel agencies	172	0.01%	1.04%	55.28%
70 Real estate activities	1,537	0.06%	9.28%	64.55%
71 Renting of machinery and equipment	-229	-0.01%	-1.39%	63.17%
72 Computer and related activities	-8	0.00%	-0.05%	63.12%
73 Research and development	99	0.00%	0.60%	63.72%
74.1 Legal and accounting activities	3,329	0.13%	20.10%	83.82%
74.2-74.8 Other business activities (except for NACE 74.1)	451	0.02%	2.72%	86.54%
80 Education	399	0.02%	2.41%	88.94%
85 Health and social work; veterinary activities	51	0.00%	0.31%	89.25%
90 Sewage and refuse disposal	914	0.04%	5.52%	94.77%
92 Recreational, cultural and sporting activities	-91	0.00%	-0.55%	94.22%
93 Other service activities	383	0.01%	2.31%	96.53%
SUBTOTAL	15,990	0.63%	96.53%	-
64.12 Post and courier activities (except national post activities)	21	0.00%	0.12%	96.65%
Part of 64.2 Telecommunications: content provider	554	0.02%	3.35%	100.00%
TOTAL	16,565	0.65%	100%	-
GDP for the CR in 2003 in CZK billions	2,555,800	100%		

Comparison with the impact of the consolidated version of the original proposed Directive of 30. 5. 2005

When comparing the impact of the EP and Commission Directive proposals and the original proposed Directive, we discover that the increase in GDP from the growth in value added as a result of the implementation of the EP and Commission Directive proposals is **0.25, or 0.29 percentage points lower** than the impact of adopting the consolidated version of the original proposed Directive of 30.5.2005³.

The impact of the EP and Commission Directive proposals on the growth in value added is not as positive in those service sectors where the original impact was positive and less negative in service sectors where the original impact was negative. The mitigating effect of the new proposed Directive is most obvious in service sectors where certain services (activities) were excluded from the scope of the Directive: the only service that remained within the scope of the Directive from the NACE 85 sector was veterinary activities, which gave rise to a significant reduction in the initially highly positive impact on this NACE sector. On the other hand, the exclusion of gambling and betting activities (NACE 92.71 – activities of gaming rooms, casinos and betting offices) from the scope of the proposed Directive resulted in alleviating the originally extremely negative effect on NACE sector 92.

³ The growth in value added resulting from the implementation of the consolidated version of the original proposed Directive is 0.94% of GDP.

Tab. 5: Difference between the impact of the EP and Commission proposals for the Directive and the impact of the consolidated version of the original proposed Directive of 30.5.2005 on growth in value added and GDP for the CR

Service sector by NACE classification	Contribution of the service to growth in GDP by a growth in value added (in CZK mil.)			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in CZK billions	% of GDP	in CZK billions	% of GDP
45 Construction	4,522	3,448	3,448	-1,074	-0.04%	-1,074	-0.04%
50 Sale, maintenance and repair of motor vehicles and motorcycles	424	396	396	-29	0.00%	-29	0.00%
51 Wholesale trade	3,829	3,257	3,257	-572	-0.02%	-572	-0.02%
52 Retail trade	1,993	1,961	1,961	-32	0.00%	-32	0.00%
55 Hotels and restaurants	-102	-77	-77	25	0.00%	25	0.00%
63 Supporting and auxiliary transport activities, activities of travel agencies	1,620	1,220	172	-400	-0.02%	-1,449	-0.06%
70 Real estate activities	2,075	537	1,537	-538	-0.02%	-53	-0.02%
71 Renting of machinery and equipment	-236	-229	-229	7	0.00%	7	0.00%
72 Computer and related activities	-21	-8	-8	13	0.00%	13	0.00%
73 Research and development	133	99	99	-34	0.00%	-34	0.00%
74.1 Legal and accounting activities	4,556	3,329	3,329	-1,226	-0.05%	-1,226	-0.05%
74.2-74.8 Other business activities (except for NACE 74.1)	560	451	451	-110	0.00%	-110	0.00%
80 Education	556	399	399	-158	-0.01%	-158	-0.01%
85 Health and social work; veterinary activities	2,702	51	51	-2,651	-0.10%	-2,651	-0.10%
90 Sewage and refuse disposal	1,255	914	914	-341	-0.01%	-341	-0.01%
92 Recreational, cultural and sporting activities	-1,151	-91	-91	1,060	0.04%	1,060	0.04%
93 Other service activities	552	383	383	-139	-0.01%	-139	-0.01%
SUBTOTAL	23,239	17,038	15,990	-6,201	-0.24%	-7,249	-0.28%
64.12 Post and courier activities (except national post activities)	22	21	21	-1	0.00%	-1	0.00%
Part of 64.2 Telecommunications: content provider	675	554	554	-121	0.00%	1	0.00%
TOTAL	23,936	17,613	16,565	-6,323	-0.25%	-121	-0.29%
GDP for the CR in 2003 in CZK mil.	2,555,800					-7,371	

4.1.1.2 Impact of the Directive on economic growth in the CR generated by a fall in prices

Impact of the proposed EP Directive of 16.2.2006

It is assumed that, as a result of a fall in prices, additional resources will be released for service recipients (end users and other economic subjects), which is reflected in increased demand for consumption and investment. We forecast that **a fall in prices initiated by the adoption of the proposed EP Directive** will result in increased demand totalling **up to 0.90% of GDP**.

This additional demand is mainly stimulated by the **construction sector**, which should generate over 36% of the total estimated benefits from the proposed EP Directive in this category. This impact is also very significant in the sector of **legal and accounting services (NACE 74.1)** and **supporting and auxiliary transport services (NACE 63)**. Given the significant rise in value added in these service sectors (see the previous subsection), these areas have the potential to exercise an extremely important leverage effect.

Tab. 6: Maximum possible impact of the adoption of the proposed Directive by the EP on growth in Czech GDP generated by price falls

Service sector by NACE classification	Maximum possible contribution of the service to growth in GDP by reductions in price levels and releasing resources for other sectors of the economy (in mil. CZK)	Percentage of this growth in services affected by the Directive on GDP	Percentage of this growth on overall growth in services affected by the Directive	Cumulative percentage of this growth on overall growth in services affected by the Directive
45 Construction	8 298	0.32%	36.14%	36.14%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-213	-0.01%	-0.93%	35.22%
51 Wholesale trade	1 209	0.05%	5.27%	40.48%
52 Retail trade	887	0.03%	3.87%	44.35%
55 Hotels and restaurants	-71	0.00%	-0.31%	44.04%
63 Supporting and auxiliary transport activities, activities of travel agencies	3 173	0.12%	13.82%	57.86%
70 Real estate activities	1 985	0.08%	8.65%	66.51%
71 Renting of machinery and equipment	207	-0.01%	-0.90%	65.61%
72 Computer and related activities	-67	0.00%	-0.29%	65.32%
73 Research and development	116	0.00%	0.51%	65.82%
74.1 Legal and accounting activities	4 527	0.18%	19.72%	85.54%
74.2-74.8 Other business activities (except for NACE 74.1)	855	0.03%	3.73%	89.27%
80 Education	479	0.02%	2.09%	91.35%
85 Health and social work; veterinary activities	72	0.00%	0.31%	91.67%
90 Sewage and refuse disposal	1 143	0.04%	4.98%	96.65%
92 Recreational, cultural and sporting activities	-230	-0.01%	-1.00%	95.64%
93 Other service activities	375	0.01%	1.64%	97.28%
SUBTOTAL	22 333	0.87%	97.28%	-
64.12 Post and courier activities (except national post activities)	60	0.00%	0.26%	97.54%
Part of 64.2 Telecommunications: content provider	565	0.02%	2.46%	100.00%
TOTAL	22 958	0.90%	100.00%	-
GDP for the CR in 2003 in CZK mil.	2 555 800	100.00%		

Impact of the Commission proposal of 4.4.2006

The adoption of the new **Commission proposal** would lead to potential increases in demand, or GDP of up to **0.81%** as a result of falling prices. This reduced effect compared to the proposed Directive by the EP is the result of **the exclusion of supporting and auxiliary transport services, under NACE category 63**. Only the activities of travel agencies and tour operators remain within the scope of the Directive (NACE 63.3), which reduced its impact on the whole area of services falling under NACE category 63. Whereas the implementation of the EP proposal assumes a potential contribution from services falling under NACE 63 to support growth in GDP of **up to 0.12%** caused by price falls, the implementation of the new Commission proposal would reduce this contribution to **0.01%**. In other service sectors the impact on these categories is identical to the EP proposal.

Tab. 7: Maximum possible impact of the adoption of the Commission proposal for the Directive on on growth in Czech GDP generated by price falls

Service sector by NACE classification	Maximum possible contribution of the service to growth in GDP by reductions in price levels and releasing resources for other sectors of the economy (in mil. CZK	Percentage of this growth in services affected by the Directive on GDP	Percentage of this growth on overall growth in services affected by the Directive	Cumulative percentage of this growth on overall growth in services affected by the Directive
45 Construction	8.298	0.32%	40.31%	40.31%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-213	-0.01%	-1.03%	39.27%
51 Wholesale trade	1.209	0.05%	5.88%	45.15%
52 Retail trade	887	0.03%	4.31%	49.46%
55 Hotels and restaurants	-71	0.00%	-0.35%	49.12%
63 Supporting and auxiliary transport activities, activities of travel agencies	801	0.03%	3.89%	53.00%
70 Real estate activities	1.985	0.08%	9.64%	62.65%
71 Renting of machinery and equipment	-207	-0.01%	-1.00%	61.64%
72 Computer and related activities	-67	0.00%	-0.32%	61.32%
73 Research and development	116	0.00%	0.56%	61.88%
74.1 Legal and accounting activities	4.527	0.18%	21.99%	83.88%
74.2-74.8 Other business activities (except for NACE 74.1)	855	0.03%	4.16%	88.03%
80 Education	479	0.02%	2.33%	90.36%
85 Health and social work; veterinary activities	72	0.00%	0.35%	90.71%
90 Sewage and refuse disposal	1.143	0.04%	5.55%	96.26%
92 Recreational, cultural and sporting activities	-230	-0.01%	-1.12%	95.14%
93 Other service activities	375	0.01%	1.82%	96.97%
SUBTOTAL	19.961	0.78%	96.97%	-
64.12 Post and courier activities (except national post activities)	60	0.00%	0.29%	97.26%
Part of 64.2 Telecommunications: content provider	565	0.02%	2.74%	100.00%
TOTAL	20.585	0.81%	100.00%	-
GDP for the CR in 2003 in CZK mil.	2.555.800	100.00%		

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the consolidated version of the original proposed Directive of 30.5.2005 the maximum achievable impact of the EP or Commission Directive proposals on the growth of GDP generated by price falls 0.12 or 0.24 percentage points lower than the impact of the original proposed Directive⁴. This reduced effect is caused both by the lower level of barriers eliminated, as well as by the exclusion of certain types of service from the scope of the Directive. The lower impact is most obvious in the health and social work category (NACE 85), which has a 0.07 % effect on GDP. The different impact on these categories of the individual Directive proposals is shown in the table below:

⁴ The maximum impact that would be achieved on GDP growth in the CR, generated by price falls, by adopting the consolidated version of the original proposed Directive of 30. 5. 2005 would total up to 1.02%.

Tab. 8: Difference between the EP and Commission proposals and the original proposed Directive on the maximum possible contribution of services to the growth in GDP generated by price falls

Service sector by NACE classification	Maximum possible contribution of the service to growth in GDP by reductions in price levels and releasing resources for other sectors of the economy (in mil. CZK)			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	% of GDP	in CZK billions	% of GDP	in CZK billions
45 Construction	9093	8298	8,298	-795	-0.03%	-795	-0.03%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-203	-213	-213	-10	0.00%	-10	0.00%
51 Wholesale trade	1642	1,209	1,209	-433	-0.02%	-433	-0.02%
52 Retail trade	883	887	887	4	0.00%	4	0.00%
55 Hotels and restaurants	-85	-71	-71	14	0.00%	14	0.00%
63 Supporting and auxiliary transport activities, activities of travel agencies	3,510	3,173	801	-337	-0.01%	2,709	-0.11%
70 Real estate activities	2,193	1,985	1,985	-208	-0.01%	-208	-0.01%
71 Renting of machinery and equipment	-211	-207	-207	4	0.00%	4	0.00%
72 Computer and related activities	-73	-67	-67	7	0.00%	7	0.00%
73 Research and development	128	116	116	-12	0.00%	-12	0.00%
74.1 Legal and accounting activities	5,014	4,527	4,527	-486	-0.02%	-486	-0.02%
74.2-74.8 Other business activities (except for NACE 74.1)	925	855	855	-70	0.00%	-70	0.00%
80 Education	535	479	479	-57	0.00%	-57	0.00%
85 Health and social work; veterinary activities	1,922	72	72	-1,850	-0.07%	-1,850	-0.07%
90 Sewage and refuse disposal	1,263	1143	1,143	-120	0.00%	-120	0.00%
92 Recreational, cultural and sporting activities	-1,565	-230	-230	1,334	0.05%	1,334	0.05%
93 Other service activities	417	375	375	-41	0.00%	-41	0.00%
SUBTOTAL	25,389	22,333	19,961	-3,056	-0.12%	5,429	-0.21%
64.12 Post and courier activities (except national post activities)	57	60	60	3	0.00%	3	0.00%
Part of 64.2 Telecommunications: content provider	579	565	565	-14	0.00%	-14	0.00%
TOTAL	26,025	22,958	20,585	-3,067	0.12%	5,439	0.21%
GDP for the CR in 2003 in CZK mil.	2,555,800						

4.1.2 Impact of the Directive on employment levels in the CR

Impact of the proposed EP Directive of 16. 2. 2006

The impact of the proposed EP Directive on employment levels in the CR is estimated to be almost **18.7 thousand new jobs**, which corresponds to approximately **0.36% of the workforces** in the Czech Republic.

The largest part in new job creation is played by the retail trade category (NACE 52), the wholesale trade category (NACE 51) and construction (NACE 45), which together amount to over 60% of all new jobs created. The main reason for the growth in the number of jobs in these sectors is the fact that these three sectors are among the top four sectors with the highest numbers of employees in the sectors analyzed.

In the retail and wholesale trade sectors, this is accompanied by a relatively low rise in average monthly wages, which does not exceed half a percent. Retail trade also shows one of the lowest average monthly wages of the sectors analyzed.

The largest growth dynamics in employment and average monthly wages is reflected in the education category (NACE 80), amounting to 5.4%, or 5.7%, in sewage and refuse disposal (NACE 90) it is 4.0% for both indicators and for legal and accounting services (NACE 74.1) a total of 3.8%, or 4.2%.

According to data supplied by the Czech Statistical Office, the total number of employees in the Czech Republic in 2003 was 5,231.3 thousand.

Tab. 9: Impact of the proposed Directive by the EP on employment levels in the CR

Service sector by NACE classification	Job creation		Contribution to overall job creation	Cumulative contribution to overall job creation	Growth in average wages	
	in numbers of employees	in relative terms			in CZK	in relative terms
45 Construction	3,072	1.9%	16.4%	16.4%	284	1.8%
50 Sale, maintenance and repair of motor vehicles and motorcycles	656	1.1%	3.5%	19.9%	-79	-0.5%
51 Wholesale trade	4,280	2.3%	22.9%	42.8%	68	0.4%
52 Retail trade	4835	2.0%	25.9%	68.7%	34	0.3%
55 Hotels and restaurants	-30	-0.1%	-0.2%	68.5%	-228	-0.2%
63 Supporting and auxiliary transport activities, activities of travel agencies	796	2.6%	4.3%	72.7%	492	2.5%
70 Real estate activities	896	2.6%	4.8%	77.5%	372	2.4%
71 Renting of machinery and equipment	-89	-1.9%	-0.5%	77.1%	-358	-2.1%
72 Computer and related activities	4	0.0%	0.0%	77.1%	-74	-0.2%
73 Research and development	122	2.3%	0.7%	77.7%	464	2.1%
74.1 Legal and accounting activities	1,519	3.8%	8.1%	85.9%	929	4.2%
74.2-74.8 Other business activities (except for NACE 74.1)	155	0.3%	3.0%	88.8%	50	0.3%
80 Education	641	5.4%	3.4%	92.3%	857	5.7%
85 Health and social work; veterinary activities	23	0.0%	0.1%	92.4%	368	2.9%
90 Sewage and refuse disposal	978	4.0%	5.2%	97.6%	570	4.0%
92 Recreational, cultural and sporting activities	-103	-0.5%	-0.5%	97.1%	-460	-3.1%
93 Other service activities	409	3.3%	2.2%	99.3%	270	3.1%
SUBTOTAL	18,568	1.6%	99.3%	-	153	1.0%
64.12 Post and courier activities (except national post activities)	39	1.0%	0.2%	99.5%	84	1.0%
Part of 64.2 Telecommunications: content provider	100	3.8%	0.5%	100.0%	2,095	3.7%
TOTAL	18,706	1.6%	100.0%	-	168	1.1%

Impact of the Commission proposal of 4.4.2006

The estimated impact of the implementation of the new **Commission proposal** on employment is the creation of **18.1 thousand new jobs**, which represents approximately **0.35% of the workforce** in the CR. In comparison with the EP proposal, this is around 600 fewer jobs. This difference is caused by the exclusion of supporting and auxiliary transport services and is therefore reflected in NACE category 63. The impact on employment in the other service sectors analyzed is identical to the proposed Directive by the EP.

Tab. 10: Impact of the Commission proposal for the Directive on employment in the CR

Service sector by NACE classification	Job creation		Contribution to overall job creation	Cumulative contribution to overall job creation	Growth in average wages	
	in numbers of employees	in relative terms			in CZK	in relative terms
45 Construction	3072	1.9%	17.0%	17.0%	284	1.8%
50 Sale, maintenance and repair of motor vehicles and motorcycles	656	1.1%	3.6%	20.6%	-79	-0.5%
51 Wholesale trade	4,280	2.3%	23.7%	44.3%	68	0.4%
52 Retail trade	4,835	2.0%	26.7%	71.0%	34	3.0%
55 Hotels and restaurants	-30	-0.1%	-0.2%	70.8%	-28	-0.2%
63 Supporting and auxiliary transport activities, activities of travel agencies	177	0.6%	1.0%	71.8%	375	1.9%
70 Real estate activities	896	2.6%	5.0%	76.8%	372	2.4%
71 Renting of machinery and equipment	-89	-1.9%	-0.5%	76.3%	-358	-2.1%
72 Computer and related activities	4	0.0%	-0.0%	76.3%	-74	-0.2%
73 Research and development	122	2.3%	0.7%	77.0%	464	2.1%
74,1 Legal and accounting activities	1,579	3.8%	8.4%	85.4%	929	4.2%
74,2-74,8 Other business activities (except for NACE 74,1)	559	0.3%	3.1%	88.5%	50	0.3%
80 Education	641	5.4%	3.5%	92.0%	857	5.7%
85 Health and social work; veterinary activities	23	0.0%	0.1%	92.1%	368	2.9%
90 Sewage and refuse disposal	978	4.0%	5.4%	97.5%	570	4.0%
92 Recreational, cultural and sporting activities	-103	-0.5%	-0.6%	97.0%	-460	-3.1%
93 Other service activities	409	3.3%	2.3%	99.2%	270	3.1%
SUBTOTAL	17,949	1.6%	99.2%	-	143	0.9%
64.12 Post and courier activities (except national post activities)	39	1.0%	0.2%	99.4%	84	1.0%
Part of 64,2 Telecommunications: content provider	100	3.8%	0.6%	100.0%	2,095	3.7%
TOTAL	18,088	1.6%	100.0%	-	158	1.0%

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the original proposed Directive, the overall effect of the new Directive proposals by the EP and the Commission on job creation 27%, or 29% lower, which affects absolute job numbers most significantly in the area of health and social work (NACE 85) and construction (NACE 45).

In the health care sector the reduction in numbers of new jobs created is primarily caused by the exclusion of health and social work services. The resultant effect is limited to the area of veterinary activities (NACE 85.2).

In the category NACE 63 – Supporting and auxiliary transport services and the activities of travel agencies and tour operators – the impact of the EP Directive proposals is 28% lower than the impact of the original proposed Directive. This difference is caused by the lower level of eliminated barriers. The impact of the new Commission proposal is up to 84% lower in this area, which is caused by the exclusion of supporting and auxiliary transport services from the scope of the Directive. This means that jobs created in this area of services are restricted to the activities of travel agencies and tour operators (NACE 63.3), which remains within the scope of the Directive.

On the other hand, the area of recreational, cultural and sporting activities (NACE 92) recorded a significant reduction in its originally extremely negative impact, which was caused both by the milder effect of the Directive in the form of a lower level of elimination of barriers, but, primarily by the exclusion of gambling and betting activities (NACE 92.71) from the scope of the proposed Directive.

Tab. 11: Comparison of the impact of the individual proposed Directives on job creation in the CR

Service sector by NACE classification	Job creation			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in numbers of jobs	as a %	in numbers of jobs	as a %
45 Construction	4,121	3,072	3,072	-1,050	-25%	-1,050	-25%
50 Sale, maintenance and repair of motor vehicles and motorcycles	690	656	656	-34	-5%	-34	-5%
51 Wholesale trade	4,741	4,280	4,280	-461	-10%	-461	-10%
52 Retail trade	4,887	4,835	4,835	-52	-1%	-52	-1%
55 Hotels and restaurants	-45	-30	-30	15	-32%	15	-32%
63 Supporting and auxiliary transport activities, activities of travel agencies	1,103	796	177	-307	-28%	-926	-84%
70 Real estate activities	1,230	896	896	-334	-27%	-334	-27%
71 Renting of machinery and equipment	-91	-89	-89	2	-3%	2	-3%
72 Computer and related activities	1	4	4	3	312%	3	312%
73 Research and development	167	122	122	-44	-27%	-44	-27%
74.1 Legal and accounting activities	2,217	1,519	1,519	-698	-31%	-698	-31%
74.2-74.8 Other business activities (except for NACE 74.1)	861	559	559	-302	-35%	-302	-35%
80 Education	969	641	641	-328	-34%	-328	-34%
85 Health and social work; veterinary activities	3,146	23	23	-3,123	-99%	-3,123	-99%
90 Sewage and refuse disposal	1,427	978	978	-449	-31%	-449	-31%
92 Recreational, cultural and sporting activities	-618	-103	-103	515	-83%	515	-83%
93 Other service activities	566	409	409	-157	-28%	-157	-28%
SUBTOTAL	25,372	18,568	17,949	-6,804	-27%	-7,423	-29%
64.12 Post and courier activities (except national post activities)	43	39	39	-4	-10%	-4	-10%
Part of 64.2 Telecommunications: content provider	125	100	100	-25	-20%	-25	-20%
TOTAL	25,539	18,706	18,088	-6,833	-27%	-7,452	-29%

As far as the impact on the growth of average wages is concerned, the overall effect of the EP or Commission Directive proposals on the service sectors analyzed was 27%, or 32% lower than the original version of the Directive.

The reduced effect appears most significantly in the areas of education and legal and accounting services, where the original positive impact on growth in average wages had been the highest.

Tab. 12: Comparison of the impact of individual proposals for the Directive on the growth in average wages in the CR

Service sector by NACE classification	Growth in average wages			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in CZK	as a %	in CZK	as a %
45 Construction	382	284	284	-98	-26%	-98	-26%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-73	-79	-79	-6	8%	-6	8%
51 Wholesale trade	112	68	68	-43	-39%	-43	-39%
52 Retail trade	34	34	34	-1	-1%	-1	-1%
55 Hotels and restaurants	-34	-28	-28	6	-17%	6	-17%
63 Supporting and auxiliary transport activities, activities of travel agencies	676	492	375	-184	-27%	-300	-44%
70 Real estate activities	510	372	372	-138	-27%	-138	-27%
71 Renting of machinery and equipment	-370	-358	-358	12	-3%	12	-3%
72 Computer and related activities	-85	-74	-74	11	-13%	11	-13%
73 Research and development	633	464	464	-169	-27%	-169	-27%
74.1 Legal and accounting activities	1,277	929	929	-348	-27%	-348	-27%
74.2-74.8 Other business activities (except for NACE 74.1)	44	50	50	6	14%	6	14%
80 Education	1,197	857	857	-340	-28%	-340	-28%
85 Health and social work; veterinary activities	514	368	368	-146	-28%	-146	-28%
90 Sewage and refuse disposal	780	570	570	-210	-27%	-210	-27%
92 Recreational, cultural and sporting activities	-490	-460	-460	30	-6%	30	-6%
93 Other service activities	372	270	270	-103	-28%	-103	-28%
SUBTOTAL	218	153	143	-65	-30%	-75	-34%
64.12 Post and courier activities (except national post activities)	106	84	84	-21	-20%	-21	-20%
Part of 64.2 Telecommunications: content provider	3,072	2,095	2,095	-977	-32%	-977	-32%
TOTAL	232	168	158	-64	-27%	-74	-32%

4.1.3 Impact of the Directive on indicators of the financial performance by sector in the CR

Impact of the proposed Directive by the EP of 16.2.2006

We measure the impact of the Directive on the financial performance of the Czech economy by calculating the growth in value added of Czech products, as well as the growth in profits in individual service sectors. If we assume a constant level of capital within the company, an increase in profits represents a growth in the average rentability of the sector.

The level of return on investment in the form of a **profit margin** then attracts **other investors** into that area, who provide additional finances to enable **expansion in the relevant sectors**. This effect, which may lead to additional growth in these sectors, is not dealt with in this analysis and may lead to additional positive effects for GDP and employment levels in the Czech Republic.

The overall growth in profits in the services analyzed is **2.9%** under the effect of the implementation of the **proposed EP Directive**.

The services analyzed are dominated by the **construction** sector, which contributes over 30% to the overall growth in profits. A further more than 30% of the overall effect comes from **legal and accounting services** (NACE 74.1) and **support and auxiliary transport activities** (NACE 63).

The largest dynamic growth in profits was recorded by the **education** (NACE 80) sector, being **39.8%** and **sale, maintenance and repair of motor vehicles and motorcycles** (NACE 50), totalling **19.5%**.

Tab. 13: Impact of the proposed Directive by the EP on growth in return on capital (profit)

Service sectors by NACE classification	Growth in return on capital (profit)		Contribution to profits	Cumulative contribution to profits
	in CZK million	in relative terms		
45 Construction	605.4	4.5%	30.8%	30.8%
50 Sale, maintenance and repair of motor vehicles and motorcycles	228.6	19.5%	11.6%	42.5%
51 Wholesale trade	135.0	2.9%	6.9%	49.4%
52 Retail trade	-34.1	-1.6%	-1.7%	47.6%
55 Hotels and restaurants	-5.2	-0.1%	-0.3%	47.4%
63 Supporting and auxiliary transport activities, activities of travel agencies	278.9	6.6%	14.2%	61.6%
70 Real estate activities	145.8	6.7%	7.4%	69.0%
71 Renting of machinery and equipment	-73.4	-4.0%	-3.7%	65.3%
72 Computer and related activities	47.9	0.9%	2.4%	67.7%
73 Research and development	13.7	5.2%	0.7%	68.4%
74.1 Legal and accounting activities	372.6	14.6%	19.0%	87.4%
74.2-74.8 Other business activities (except for NACE 74.1)	47.6	0.3%	2.4%	89.8%
80 Education	32.5	39.8%	1.7%	91.4%
85 Health and social work; veterinary activities	8.1	0.4%	0.4%	91.9%
90 Sewage and refuse disposal	123.5	12.2%	6.3%	98.1%
92 Recreational, cultural and sporting activities	-20.6	-0.9%	-1.0%	97.1%
93 Other service activities	5.7	-13.2%	0.3%	97.4%
SUBTOTAL	1,912.1	2.9%	97.4%	-
64.12 Post and courier activities (except national post activities)	3.9	1.9%	0.2%	97.6%
Part of 64.2 Telecommunications: content provider	47.3	12.0%	2.4%	100.0%
TOTAL	1,963.4	2.9%	100.0%	-

Impact of the Commission proposal of 4. 4. 2006

The overall growth in **return on capital (profit)** in the services analyzed as an impact of the implementation of the new **Commission proposal** is estimated to be **2.6%**. The difference compared to the proposed EP Directive is caused by the exclusion of supporting and auxiliary transport activities (NACE 63.1, 63.2 and 63.4) from the scope of the Directive. In the other service sectors, the impact is the same as the impact of the proposed EP Directive.

Tab. 14: Impact of the Commission proposal on growth in return on capital (profit)

Service sector by NACE classification	Growth in return on capital (profit)		Contribution to profits	Cumulative contribution to profits
	in CZK million	in relative terms		
45 Construction	6,05.4	4.5%	34.5%	34.5%
50 Sale, maintenance and repair of motor vehicles and motorcycles	2,28.6	19.5%	13.0%	47.5%
51 Wholesale trade	1,35.0	2.9%	7.7%	55.2%
52 Retail trade	-34.1	-1.6%	-1.9%	53.3%
55 Hotels and restaurants	-5.2	-0.1%	-0.3%	53.0%
63 Supporting and auxiliary transport activities, activities of travel agencies	70.4	1.7%	4.0%	57.0%
70 Real estate activities	1,45.8	6.7%	8.3%	65.3%
71 Renting of machinery and equipment	-73.4	-4.0%	-4.2%	61.1%
72 Computer and related activities	47.9	0.9%	2.7%	63.9%
73 Research and development	13.7	5.2%	0.8%	64.6%
74.1 Legal and accounting activities	372.6	14.6%	21.2%	85.9%
74.2-74.8 Other business activities (except for NACE 74.1)	47.6	0.3%	2.7%	88.6%
80 Education	32.5	39.8%	1.9%	90.4%
85 Health and social work; veterinary activities	8.1	0.4%	0.5%	90.9%

90 Sewage and refuse disposal	123.5	12.2%	7.0%	97.9%
92 Recreational, cultural and sporting activities	-20.6	-0.9%	-1.2%	96.8%
93 Other service activities	5.7	-13.2%	0.3%	97.1%
SUBTOTAL	1,703.5	2.5%	97.1%	-%
64.12 Post and courier activities (except national post activities)	3.9	1.9%	0.2%	97.3%
Part of 64.2 Telecommunications: content provider	47.3	12.0%	2.7%	100.0%
TOTAL	1,754.8	2.6%	100.0%	-%

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the original proposed Directive, the impact of the EP or Commission Directive proposals on the growth in return on capital (profit) **9% or 19% lower**. With the EP proposal, this effect is most obvious in the NACE 85 category, while in the case of the Commission proposal it is more striking in NACE category 63, which is mainly caused by the exclusion of part of the activities falling into this area from the scope of the Directive. On the other hand, the original negative impact on the category of recreational, cultural and sporting activities is significantly reduced, primarily because of the exclusion of gambling and betting activities from the scope of the Directive.

Tab. 15: Rozdíl v dopadu jednotlivých směrnic na růst návratnosti kapitálu (zisku)

Service sectors by NACE classification	Return on capital (profit) in CZK mil.			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in CZK millions	as a %	in CZK millions	as a %
45 Construction	691	605	605	-85	-12%	-85	-12%
50 Sale, maintenance and repair of motor vehicles and motorcycles	229	229136	229136	-1	0%	-1	0%
51 Wholesale trade	147			-12	-8%	-12	-8%
52 Retail trade	-25	-34	-34	-9	37%	-9	37%
55 Hotels and restaurants	-10	-5	-5	5	-49%	5	-49%
63 Supporting and auxiliary transport activities, activities of travel agencies	315	279	70	-36	-11%	-245	-78%
70 Real estate activities	158	146	146	-12	-8%	-12	-8%
71 Renting of machinery and equipment	-76	-73	-73	2	-3%	2	-3%
72 Computer and related activities	46	48	48	2	5%	2	5%
73 Research and development	17	14	14	-3	-17%	-3	-17%
74.1 Legal and accounting activities	336	373	373	37	11%	37	11%
74.2-74.8 Other business activities (except for NACE 74.1)	64	48	48	-16	-26%	-16	-26%
80 Education	18	33	33	14	80%	14	80%
85 Health and social work; veterinary activities	221	8	8	-212	-96%	-212	-96%
90 Sewage and refuse disposal	128	123	123	-5	-4%	-5	-4%
92 Recreational, cultural and sporting activities	-142	-21	21	122	-86%	122	-86%
93 Other service activities	-3	6	6	8	-316%	8	-316%
SUBTOTAL	2,114	1,912	1,704	-202	-10%	-410	-19%
64.12 Post and courier activities (except national post activities)	4	4	4	0	8%	0	8%
Part of 64.2 Telecommunications: content provider	44	47	47	3	8%	3	8%
TOTAL	2,161	1,963	1,755	-198	-9%	-406	-19%

4.1.4 Impact of the Directive on indicators of service sector market size and structure and price changes

Impact of the proposed Directive by the EP of 16. 2. 2006

The size and structure of individual service sectors is affected by the impact of the Directive just as the prices charged for services provided. Changes in price levels significantly affect the input into other sectors of the economy and the end user as well as the service recipients.

A sharp rise in the market caused by a rise in production may result in a more varied portfolio of services, which would be more advantageous for the customer.

The market structure in individual service sectors reflect the changes in the breakdown of market share between foreign and domestic firms as a result of the introduction of the Directive.

The highest level of growth in sales influenced by the implementation of the **proposed Directive by the EP** is recorded in the area of **education** (NACE 85) at **3.6%**, as well as **legal and accounting services** (NACE 74.1) at **2.8%** and **sewage and refuse disposal** (NACE 90) at **2.7%**.

In volume terms, the highest rise in sales were in the construction sector, but this was mainly caused by the high level of sales before the implementation of the Directive and the growth dynamics tend to be average.

The change in the **market share of domestic firms** is positive in all services analyzed and ranges as high as a few percent. The market share of domestic firms rises most in the **education sector**, up by **3.9%**. In comparison with the impact of the original Directive, the increase in market share for domestic firms is higher, which is caused by the fact that the new proposed Directive no longer eliminates certain barriers affecting foreign companies (for example, the principle of the country of origin is not applied).

In most of the service areas analyzed, **price falls** for services occurred as a result of the lowering of barriers. Overall, prices of services in the areas analyzed fell by **1.3%**. This effect was again felt most in the area of education (by 6.5%). In the area of recreational, cultural and sporting activities (NACE 92) and renting of machinery and equipment (NACE 71) the prices of services rose by 2.6%, and 1.6%.

Tab. 16: Impact of the proposed Directive by the EP on growth in market size (sales)

Service sectors by NACE classification	Growth in market size (sales)		Change in market share by domestic companies	Change in prices of services as a result of the lowering of barriers
	in CZK millions	in relative terms		
45 Construction	6,002	1.4%	1.2%	-2.0%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-600	-0.7%	0.3%	0.3%
51 Wholesale trade	835	0.3%	0.3%	-0.4%
52 Retail trade	82	0.0%	0.6%	-0.5%
55 Hotels and restaurants	-369	-0.4%	0.2%	0.1%
63 Supporting and auxiliary transport activities, activities of travel agencies	2,279	2.0%	1.6%	-2.8%
70 Real estate activities	1,427	1.9%	1.6%	-2.7%
71 Renting of machinery and equipment	-324	-2.6%	0.0%	1.6%
72 Computer and related activities	-229	-0.4%	0.2%	0.1%
73 Research and development	84	1.7%	1.4%	-2.4%
74.1 Legal and accounting activities	2,628	2.8%	3.0%	-4.8%
74.2-74.8 Other business activities (except for NACE 74.1)	370	0.2%	0.4%	-0.4%
80 Education	269	3.6%	3.9%	-6.5%
85 Health and social work; veterinary activities	42	0.1%	2.3%	-3.5%
90 Sewage and refuse disposal	665	2.7%	2.9%	-4.6%
92 Recreational, cultural and sporting activities	-361	-0.6%	0.0%	2.6%
93 Other service activities	267	2.4%	1.9%	-3.4%
SUBTOTAL	13,069	0.7%	0.9%	-1.3%
64.12 Post and courier activities (except national post activities)	39	0.9%	-	-
Part of 64.2 Telecommunications: content provider	327	2.8%	-	-
TOTAL	13,435	0.7%	-	-

Impact of the Commission proposal of 4.4.2006

The impact of the Commission proposal for the Directive on market size (sales) is the same as the impact of the proposed Directive by the EP, except for the area of support and auxiliary transport activities (NACE 63). In the area of support and auxiliary transport activities the growth in sales caused by the implementation of the Commission proposal is 0.5% as compared to 2% for the

proposed Directive by the EP. This difference is again caused by the exclusion of transport related activities from the scope of the Commission proposal.

Tab. 17: Impact of the Commission proposal on growth in market size (sales)

Service sectors by NACE classification	Growth in market size (sales)		Change in market share of domestic companies	Change in prices of services as a result of the lowering of barriers
	in CZK millions	in relative terms		
45 Construction	6,002	1.4%	1.2%	-2.0%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-600	-0.7%	0.3%	0.3%
51 Wholesale trade	835	0.3%	0.3%	-0.4%
52 Retail trade	82	0.0%	0.6%	-0.5%
55 Hotels and restaurants	-369	-0.4%	0.2%	0.1%
63 Supporting and auxiliary transport activities, activities of travel agencies	575	0.5%	1.6%	-2.8%
70 Real estate activities	1,427	1.9%	1.6%	2.7%
71 Renting of machinery and equipment	-324	-2.6%	0.0%	1.6%
72 Computer and related activities	-229	-0.4%	0.2%	0.1%
73 Research and development	84	1.7%	1.4%	-2.4%
74.1 Legal and accounting activities	2,628	2.8%	3.0%	-4.8%
74.2-74.8 Other business activities (except for NACE 74.1)	370	0.2%	0.4%	-0.4%
80 Education	269	3.6%	3.9%	-6.5%
85 Health and social work; veterinary activities	42	0.1%	2.3%	-3.5%
90 Sewage and refuse disposal	665	2.7%	2.9%	-4.6%
92 Recreational, cultural and sporting activities	-361	-0.6%	0.0%	2.6%
93 Other service activities	267	2.4%	1.9%	-3.4%
SUBTOTAL	11,365	0.6%	0.9%	-1.3%
64.12 Post and courier activities (except national post activities)	39	0.9%	-	-
Part of 64.2 Telecommunications: content provider	327	2.8%	-	-
TOTAL	11,731	0.6%	-	-

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the **original proposed Directive** the overall impact of the EP and Commission Directive proposals on the growth in market size (sales) **47%, and 54% lower**. The difference in the growth of sales is most marked in the area of health and social work (NACE 85) and education (NACE 80).

Tab. 18: Comparison of the impact of the individual proposals for the Directive on growth in market size (sales)

Service sectors by NACE classification	Increase in market size (sales) as a %			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in m.s.	as a %	in m.s.	as a %
45 Construction	2.5%	1.4%	1.4%	-1.0%	-42%	-1.0%	-42%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-0.7%	-0.7%	-0.7%	-0.1%	10%	-0.1%	10%
51 Wholesale trade	0.6%	0.3%	0.3%	-0.3%	-52%	-0.3%	-52%
52 Retail trade	0.1%	0.0%	0.0%	0.0%	-20%	0.0%	-20%
55 Hotels and restaurants	-0.5%	-0.4%	-0.4%	0.1%	-18%	0.1%	-18%
63 Supporting and auxiliary transport activities, activities of travel agencies	3.6%	2.0%	0.5%	-1.6%	-44%	-3.1%	-86%
70 Real estate activities	3.5%	1.9%	1.9%	-1.5%	-44%	-1.5%	-44%
71 Renting of machinery and equipment	-2.7%	-2.6%	-2.6%	0.1%	-4%	0.1%	-4%
72 Computer and related activities	-0.4%	-0.4%	-0.4%	0.1%	-14%	0.1%	-14%
73 Research and development	3.0%	1.7%	1.7%	-1.3%	-44%	-1.3%	-44%
74.1 Legal and accounting activities	5.4%	2.8%	2.8%	-2.6%	-49%	-2.6%	-49%
74.2-74.8 Other business activities (except for NACE 74.1)	0.2%	0.2%	0.2%	0.0%	-12%	0.0%	-12%
80 Education	7.5%	3.6%	3.6%	-3.8%	-51%	-3.8%	-51%
85 Health and social work; veterinary activities	3.8%	0.1%	0.1%	-3.7%	-98%	-3.7%	-98%
90 Sewage and refuse disposal	5.2%	2.7%	2.7%	-2.5%	-48%	-2.5%	-48%
92 Recreational, cultural and sporting activities	-4.2%	-0.6%	-0.6%	-3.6%	-86%	-3.6%	-86%
93 Other service activities	4.4%	2.4%	2.4%	-2.0%	-45%	-2.0%	-45%
SUBTOTAL	1.4%	0.7%	0.6%	-0.6%	-47%	-0.7%	-54%
64.12 Post and courier activities (except national post activities)	1.3%	0.9%	0.9%	-0.4%	-32%	-0.4%	-32%
Part of 64.2	5.0%	2.8%	2.8%	-2.2%	-44%	-2.2%	-44%

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Telecommunications: content provider							
TOTAL	1.4%	0.7%	0.6%	-0.7%	-47%	-0.7%	-54%

4.1.5 Impact of the Directive on exports and imports in the CR

4.1.5.1 Impact of the Directive on exports from the CR

Impact of the proposed EP Directive of 16. 2. 2006

The impact of **proposed EP Directive** on levels of Czech exports is **positive**. It is estimated that its level of growth should total **around CZK 12.5 billion in sales and around CZK 5.4 billion in value added**.

Growth in exports is represented both in terms of the sales and value added, that will increase for Czech firms as a result of the introduction of the Directive. The increase in exports is led by the wholesale and retail areas and the sale, maintenance and repair of motor vehicles and motorcycles (NACE 50-52), which represents 79.2% of the overall growth in export sales and 84.3% of the overall rise in export value added.

This increase, which is substantially higher than in the other services analyzed, is caused on the one hand by the higher foreign potential in these areas (NACE 50-52), and on the other by the higher export base for these sectors in the Czech Republic.

Tab. 19: Impact of the proposed Directive of the EP on increases in exports from the CR

Service sectors by NACE classification	Increased export of services (in CZK mil.)		Increased export of services (relative)		Relation of increased exports to value added in the CR*	
	sales	value added	sales	value added	sales	value added
45 Construction	944	210	7.6%	4.0%	0.2%	0.2%
50 Sale, maintenance and repair of motor vehicles and motorcycles	1,272	487	10.2%	9.3%	1.6%	1.6%
51 Wholesale trade	5,829	2,411	46.7%	46.0%	2.0%	2.0%
52 Retail trade	2,788	1,519	22.3%	29.0%	1.7%	1.7%
55 Hotels and restaurants	157	51	1.3%	1.0%	0.2%	0.2%
63 Supporting and auxiliary transport activities, activities of travel agencies	268	56	2.1%	1.1%	0.2%	0.2%
70 Real estate activities	230	96	1.8%	1.8%	0.3%	0.3%
71 Renting of machinery and equipment	23	10	0.2%	0.2%	0.2%	0.2%
72 Computer and related activities	156	76	1.2%	1.5%	0.3%	0.3%
73 Research and development	13	6	0.1%	0.1%	0.3%	0.3%
74.1 Legal and accounting activities	170	75	1.4%	1.4%	0.2%	0.2%
74.2-74.8 Other business activities (except for NACE 74.1)	369	121	3.0%	2.3%	0.2%	0.2%
80 Education	39	19	0.3%	0.4%	0.5%	0.6%
85 Health and social work; veterinary activities	11	4	0.1%	0.1%	0.0%	0.0%
90 Sewage and refuse disposal	131	60	1.0%	1.1%	0.5%	0.6%
92 Recreational, cultural and sporting activities	41	7	0.3%	0.1%	0.1%	0.0%
93 Other service activities	51	28	0.4%	0.5%	0.5%	0.5%
TOTAL	12,491	5,237	100.0%	100.0%	0.7%	0.8%

*before the introduction of the Directive

Impact of the Commission proposal of 4. 4. 2006

The influence of the implementation of the new **Commission proposal** is estimated to be reflected in a growth in export **sales of CZK 12.3 billion and CZK 5.19 billion in value added**. The lower positive impact overall as compared with the proposed EP Directive is again caused by the exclusion of support and auxiliary transport activities falling under NACE category 63. In the other service sectors the impact is the same as for the EP proposal.

Tab. 20: Impact of the Commission proposal on increases in exports from the CR

Service sectors by NACE classification	Increased export of services (in CZK mil.)		Increased export of services (relative)		Relation of increased exports to value added in the CR	
	sales	value added	sales	value added	sales	value added
45 Construction	944	210	7.7%	4.0%	0.2%	0.2%
50 Sale, maintenance and repair of motor vehicles and motorcycles	1,272	487	10.3%	9.4%	1.6%	1.6%
51 Wholesale trade	5,829	2,411	47.4%	46.5%	2.0%	2.0%
52 Retail trade	2,788	1,519	22.7%	29.3%	1.7%	1.7%
55 Hotels and restaurants	157	51	1.3%	1.0%	0.2%	0.2%
63 Supporting and auxiliary transport activities, activities of travel agencies	68	8	0.5%	0.1%	0.1%	0.0%
70 Real estate activities	230	96	1.9%	1.9%	0.3%	0.3%
71 Renting of machinery and equipment	23	10	0.2%	0.2%	0.2%	0.2%
72 Computer and related activities	156	76	1.3%	1.5%	0.3%	0.3%
73 Research and development	13	6	0.1%	0.1%	0.3%	0.3%
74.1 Legal and accounting activities	170	75	1.4%	1.4%	0.2%	0.2%
74.2-74.8 Other business activities (except for NACE 74.1)	369	121	3.0%	2.3%	0.2%	0.2%
80 Education	39	19	0.3%	0.4%	0.5%	0.6%
85 Health and social work; veterinary activities	11	4	0.1%	0.1%	0.0%	0.0%
90 Sewage and refuse disposal	131	60	1.1%	1.2%	0.5%	0.6%
92 Recreational, cultural and sporting activities	41	7	0.3%	0.1%	0.1%	0.0%
93 Other service activities	51	28	0.4%	0.5%	0.5%	0.5%
TOTAL	12,91	5,189	100.0%	100.0%	0.7%	0.8%

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the original version of the Directive, the impact of the EP and Commission Directive proposals **9% and 10% lower** overall. The weaker effect is most marked in the areas of health and social work (NACE 85) and recreational, cultural and sporting activities (NACE 92), primarily because of the exclusion of certain activities falling under this area of services.

Tab. 21: Comparison of the impact of individual proposals for the Directive on the volume of Czech exports

Service sector by NACE classification	Increased export of services (sales in CZK millions)			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in CZK millions	as a %	in CZK millions	as a %
45 Construction	1,045	944	944	-101	-10%	-101	-10%
50 Sale, maintenance and repair of motor vehicles and motorcycles	1,284	1,272	1,272	-12	-1%	-12	-1%
51 Wholesale trade	5,886	58259	58,259	-57	-1%	-57	-1%
52 Retail trade	2,815	2788	2,788	-27	-1%	-27	-1%
55 Hotels and restaurants	174	157	157	-17	-10%	-17	-10%
63 Supporting and auxiliary transport activities, activities of travel agencies	296	268	68	-29	-10%	-229	-77%
70 Real estate activities	255	230	230	-25	-10%	-25	-10%
71 Renting of machinery and equipment	25	23	23	-2	-10%	-2	-10%
72 Computer and related activities	172	156	156	-17	-10%	-17	-10%
73 Research and development	14	13	13	-1	-10%	-1	-10%
74.1 Legal and accounting activities	263	170	170	-93	-35%	-93	-35%
74.2-74.8 Other business activities (except for NACE 74.1)	443	369	369	-75	-17%	-75	-17%
80 Education	60	39	39	-21	-35%	-21	-35%
85 Health and social work; veterinary activities	403	11	11	-392	-97%	-392	-97%
90 Sewage and refuse disposal	202	131	131	-72	-35%	-72	-35%
92 Recreational, cultural and sporting activities	312	41	41	-271	-87%	-271	-87%
93 Other service activities	57	51	51	-5	-10%	-5	-10%
TOTAL	13,707	12,491	12,291	-1,216	-9%	-1,417	-10%

4.1.5.2 Impact of the Directive on imports to the CR

Impact of the proposed EP Directive of 16. 2. 2006

The proposed **EP Directive does not imply any increase in exports to the CR**, which is expressed in sales of foreign enterprises on the Czech market. On the contrary, the implementation of proposed EP Directive will lead to a slight decrease in sales for foreign firms on the Czech market, primarily caused by the reallocation of sales between Czech and foreign firms in the CR. The most significant reductions in imports appear in the construction sector (NACE 45), legal and accounting services (NACE 74.1) and supporting and auxiliary transport related activities (NACE 63).

Tab. 22: Impact of the proposed Directive by the EP in Czech imports

Service sectors by NACE classification	Increased imports of services (in CZK mil.)		Increased imports of services (relative)		Relation of increased imports to value added in CR*	
	sales	value added	sales	value added	sales	value added
45 Construction	-4,030	-1,764	30.7%	26.0%	-5.7%	-11.7%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-353	-206	2.7%	3.0%	-1.9%	-3.0%
51 Wholesale trade	-555	-308	4.2%	4.5%	-0.8%	-1.1%
52 Retail trade	-935	-642	7.1%	9.4%	-2.5%	-3.1%
55 Hotels and restaurants	-280	-146	2.1%	2.2%	-1.7%	-2.8%
63 Supporting and auxiliary transport activities, activities of travel agencies	-1,502	-638	11.4%	9.4%	-8.0%	-17.1%
70 Real estate activities	-942	-528	7.2%	7.8%	-7.7%	-10.7%
71 Renting of machinery and equipment	-53	-38	0.4%	0.6%	-2.5%	-4.0%
72 Computer and related activities	-146	-102	1.1%	1.5%	-1.5%	-2.1%
73 Research and development	-56	-33	0.4%	0.5%	-6.8%	-9.1%
74.1 Legal and accounting activities	-2,442	-1,376	18.6%	20.2%	-13.8%	-18.8%
74.2-74.8 Other business activities (except for NACE 74.1)	-692	-359	5.3%	5.3%	-1.9%	-2.8%
80 Education	-251	-146	1.9%	2.2%	-18.0%	-23.6%
85 Health and social work; veterinary activities	-40	-22	0.3%	0.3%	-0.4%	-0.4%
90 Sewage and refuse disposal	-620	-357	4.7%	5.3%	-13.2%	-17.8%
92 Recreational, cultural and sporting activities	-60	-16	0.5%	0.2%	-0.6%	-0.5%
93 Other service activities	-176	-112	1.3%	1.7%	-9.5%	-11.7%
TOTAL	-13,132	-6,394	100.0%	100.0%	-3.9%	-5.7%

*before the implementation of the Directive

Impact of the Commission proposal of 4. 4. 2006

The new Commission proposal implies a lower level of import reductions (sales by foreign firms on the Czech market) than the proposed EP Directive. This difference is caused by a change in the supporting and auxiliary transport related activities sector (NACE 63), where only the activities of travel agencies and tour operators remain with the scope of the Directive (NACE 63.3).

Tab. 23: Impact of the Commission proposal on Czech imports

Service sectors by NACE classification	Increased import of services (in CZK mil.)		Increased import of services (relative)		Relation of increased imports and value added in the CR*	
	sales	value added	sales	value added	sales	value added
45 Construction	-4,030	-1,764	33.6%	28.0%	-5.7%	-11.7%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-353	-206	2.9%	3.3%	-1.9%	-3.0%
51 Wholesale trade	-555	-308	4.6%	4.9%	-0.8%	-1.1%
52 Retail trade	-935	-642	7.8%	10.2%	-2.5%	-3.1%
55 Hotels and restaurants	-280	-146	2.3%	2.3%	-1.7%	-2.8%
63 Supporting and auxiliary transport activities, activities of travel agencies	-379	-138	3.2%	2.2%	-2.0%	-3.7%
70 Real estate activities	-942	-528	7.8%	8.4%	-7.7%	-10.7%
71 Renting of machinery and equipment	-53	-38	0.4%	0.6%	-2.5%	-4.0%
72 Computer and related activities	-146	-102	1.2%	1.6%	-1.5%	-2.1%
73 Research and development	-56	-33	0.5%	0.5%	-6.8%	-9.1%
74.1 Legal and accounting activities	-2,442	-1,376	20.3%	21.9%	-13.8%	-18.8%
74.2-74.8 Other business activities (except for NACE 74.1)	-692	-359	5.8%	5.7%	-1.9%	-2.8%
80 Education	-251	-146	2.1%	2.3%	-18.0%	-23.6%
85 Health and social work; veterinary activities	-40	-22	0.3%	0.3%	-0.4%	-0.4%
90 Sewage and refuse disposal	-620	-357	5.2%	5.7%	-13.2%	-17.8%
92 Recreational, cultural and sporting activities	-60	-16	0.5%	0.3%	-0.6%	-0.5%
93 Other service activities	-176	-112	1.5%	1.8%	-9.5%	-11.7%
TOTAL	-12,009	-6,294	100.0%	100.0%	-3.6%	-5.2%

*before the introduction of the Directive

Comparison with the impact of the consolidated version of the original proposed Directive of 30.5.2005

In comparison with the original proposed Directive, which resulted in a slight reduction in imports to the CR, the reduction in sales of foreign firms on the Czech market is more marked under the impact of the EP and Commission Directive proposals, primarily in the areas of construction and legal and accounting services. The reason for the greater reduction in imports is mainly the fact the the proposed EP Directive and the new Commission proposal do not eliminate some of the barriers relating to foreign firms that were eliminated by the original proposed Directive (such as barriers relating to the country of origin principle or posting of workers). In other words, the maintenance of certain barriers against foreign firms worsens their position on the Czech market.

Tab. 24: Comparison of the impact of the individual proposals for the Directive on Czech imports

Service sectors by NACE classification	Increased imports of services (sales in CZK millions)			NS2-NS1		NS3-NS1	
	NS1	NS2	NS3	in CZK millions	as a %	in CZK millions	as a %
45 Construction	-590	-4,030	-4,030	-3,440	583%	-3,440	583%
50 Sale, maintenance and repair of motor vehicles and motorcycles	-311	-353	-353	-42	14%	-42	14%
51 Wholesale trade	558	-555	-555	-1,112	-199%	-1,112	-199%
52 Retail trade	-910	-935	-935	-25	3%	-25	3%
55 Hotels and restaurants	-342	-280	-280	62	-18%	62	-18%
63 Supporting and auxiliary transport activities, activities of travel agencies	-59	-1,502	-379	-1,443	2,450%	-320	543%
70 Real estate activities	-49	-942	-942	-894	1,838%	-894	1,838%
71 Renting of machinery and equipment	-66	-53	-53	13	-20%	13	-20%
72 Computer and related activities	-175	-146	-146	29	-17%	29	-17%
73 Research and development	-5	-56	-56	-51	1,133%	-51	1,133%
74.1 Legal and accounting activities	-441	-2,442	-2,442	-2,002	454%	-2,002	454%
74.2-74.8 Other business activities (except for NACE 74.1)	-729	-692	-692	37	-5%	37	-5%
80 Education	-22	-251	-251	-229	1,063%	-229	1,063%
85 Health and social work; veterinary activities	-296	-40	-40	256	-86%	256	-86%
90 Sewage and refuse disposal	-123	-620	-620	-497	403%	-497	403%
92 Recreational, cultural and sporting activities	-408	-60	-60	348	-85%	348	-85%
93 Other service activities	0	-176	-176	-175	n.a.	-175	n.a.
TOTAL	-3,966	-13,132	-12,009	-9,166	231%	-8,043	203%

4.1.6 Summary of impacts from the Directive on the macro-economic indicators of the CR

The impact of the Directive is expected to appear **at one time** in a **medium-term perspective of 3-5 years** after its adoption. It is anticipated that **the effects of the Directive** on the total growth in GDP will be **permanent**, because the elimination of barriers preventing trade between Member States⁶ will have a permanent influence on enterprise productivity.

Some delay in eliminating barriers is also expected as a result of the time needed for enterprises performing the relevant services to react and gradually to take advantage of the benefits to be derived from their removal. On the basis of our experience with similar forms of deregulation, we can also expect **a gradual onset of the effects** arising from the introduction of the Directive⁷.

4.1.6.1 Impact of the EP proposal of 16. 2. 2006

The impact of the **proposed EP Directive** on the economic growth of the Czech Republic has been estimated at **0.69-1.59% of GDP**, which corresponds to an approximate total of **CZK 17.6-40.6 billion**. In comparison with the original proposed Directive this effect is **26-38% lower**.

The impact of the proposed EP Directive on employment levels in the CR is estimated to be in the region of **18.7 thousand new jobs**, which corresponds to approximately **0.36% of the workforce** in the Czech Republic. In comparison with the original proposed Directive, this result is **27% lower**.

The adoption of the proposed EP Directive will have a **positive effect on the levels of Czech exports**. According to estimates, it should grow by **CZK 12.5 billion in sales and around CZK 5.24 billion in value added**. However, this growth in sales of Czech firms on foreign markets is **9% lower** than the original proposed Directive.

The proposal by the EP implies a **reduction of imports into the CR**, which is caused by a slight squeezing out of foreign firms by Czech enterprises, leading to a reallocation of sales to the benefit of Czech enterprises.

Given the overall elimination of the screening requirements from this proposed Directive, it is obvious that the impact of the proposed Directive will be lower in reality than the figures we have given here.

4.1.6.2 Impact of the Commission proposal of 4. 4. 2006

The impact of the **Commission proposal** on the economic growth of the Czech Republic is slightly lower than the impact of the proposed EP Directive if we only take into consideration the groups of changes for which economic impacts have been calculated. They are estimated to total approximately **0.65-1.45% of GDP**, which corresponds to approximately **CZK 16.6-37.2 billion**. In comparison with the original proposed Directive, this result is **31-52% lower**.

⁶ From the viewpoint of the growth in GDP, this rise will occur just once and will not be repeated.

⁷ Some of the regulated enterprises are well-prepared and will react immediately (pro-actively) once the regulations (or administrative barriers) have been dismantled, while others only react slowly to external incentives (reactively). The combination of pro-active and reactive enterprises results in the effects of the implementation of the Directive being spread out over time.

The impact of the proposed Commission Directive on employment levels in the CR is estimated to represent almost **18.1 thousand new jobs**, which corresponds to approximately **0.35% of the workforce** in the Czech Republic. In comparison with the original proposed Directive, this impact is **29% lower**.

The adoption of the Commission proposal will have a **positive effect on Czech export levels**. According to estimates, these should grow by **CZK 12.3 billion in sales and around 5.19 billion in value added**. However, this growth in sales of Czech firms on foreign markets is **10% lower** in comparison with the original proposed Directive.

The proposed Commission Directive also implies a **reduction of imports into the CR**, which is caused by a slight squeezing out of foreign firms by Czech enterprises, leading to a reallocation of sales to the benefit of Czech enterprises.

Impact of the adoption of the Directive on selected service sectors

4.2.1 Impact of the adoption of the Directive on "sensitive" service sectors

Another way of assessing the impact of the introduction of the Directive is to assess the introduction of the Directive on what are referred to as "sensitive" service sectors. For the purpose of this analysis, "sensitive" service sectors include construction (NACE 45), health and social work (NACE 85), sewage and refuse disposal (NACE 90) and education (NACE 80). Given the original slightly negative impacts of the Directive, recreational, cultural and sporting activities (NACE 92) will also be separately analyzed in this chapter.

We can demonstrate the importance of including or excluding "sensitive" services from the scope of the Directive by the drop in the growth of GDP. In contrast to the original proposed Directive, the proposal by the EP and the new Commission proposal exclude health and social work from its scope, which led to a reduction in its impact of CZK 2.7-4.5 billion, or 0.1-0.2% of GDP. If other sensitive service sectors were also to be excluded from the proposed EP Directive or the Commission proposal, it would be a further **decrease in the overall effect of the Directive of CZK 4.8-14.7 billion or 0.2-0.6% of GDP**. This would also mean creating around 4.7 thousand fewer jobs, thereby **reducing the impact on employment levels by approximately 25%**.

The assessment in the subsections below describes the difference in impact of the proposal by the EP Directive and the Commission proposal from the impact of the original proposed Directive. At the same time we will assess what changes in the effects of the impacts of the introduction of the Directive would occur if individual "sensitive" sectors were to be excluded from the new EP Directive or the Commission proposal. Given the fact that the new Commission proposal is identical with the EP proposal as far as the level of barriers to be eliminated and the only significant difference is in the exclusion of transport related activities, the impact of exclusion from the proposed EP Directive is the same as the impact of excluding sensitive services from the new Commission proposal.

4.2.1.1 Construction

Construction (NACE 45) is one of the service areas where the adoption of the Directive would have a significant financial effect on the Czech economy. The impact on growth in value added

in the construction industry on adoption of the Commission proposal is the most positive of all the services analyzed, representing around 20% of overall value added growth generated by the effects of the Directive. Unlike the original proposed Directive however, the proposed EP Directive, or the Commission proposal results in a **decrease in the original impact on value added growth** in this area of more than **CZK 1 billion**, which means approximately **0.04% of GDP**.

The effect of the proposed EP Directive or the Commission proposal on **job creation** is **25% lower** in the construction sector than the effect of the original proposed Directive.

As far as **growth in exports** are concerned in this sector, the effect of the proposed EP Directive or the Commission proposal is **10% lower**.

Were the construction sector to be **excluded from the scope** of the new Commission proposal, it would lead to a **decrease** in the overall impact of the Directive on growth in GDP of **CZK 3.5-11.7 billion**, which corresponds to approximately **0.1-0.5% of GDP**.

4.2.1.2 Health care and social services sector

For the purposes of this analysis, the health care and social services sector is included in the NACE 85 category. Apart from health and social work (NACE 85.1 and 85.3) veterinary activities are also included in this sector (NACE 85.2).

The adoption of the original proposed Directive would result in a relatively important positive economic effect both on this particular sector and also on the Czech economy as a whole. The proposed EP Directive and the new Commission proposal exclude health and social care from their scope, which means that only veterinary activities remain within their scope. **The exclusion of health and social care** from the scope of the Directive means **reducing the original impact on value growth by CZK 2.7 billion**. For the overall NACE 85 category, this means **a 98% reduction in the original effect of value added growth**.

The exclusion of health and social care from the scope of the Directive also means reducing the impact on new jobs created resulting in **over 3 thousand fewer new jobs**.

Reductions in exports caused by the exclusion of health and social services from this area is estimated to be almost **CZK 400 million**. This means that export growth is **reduced by 97%**.

4.2.1.3 Sewage and refuse disposal sector

The refuse disposal sector (NACE 90) is one of the service sectors where the impact of the proposed Directive is positive, although to a lesser extent. The proposed EP Directive or the Commission proposal provide a lower positive effect than the original proposed Directive in this sector. The reason for this is the lower level of barriers that are eliminated in the new proposed Directive. **The growth in value added** caused by the adoption of the proposed EP Directive or Commission proposal are around **CZK 300 million lower, i.e. by approximately 27%**.

As far as employment levels are concerned, the adoption of the new proposed EP Directive, or Commission proposal would lead to the creation of approximately **450 fewer jobs**, or **reducing the effect of the original proposed Directive by 31%**.

The growth in **exports** would be around **CZK 70 million lower** under the effect of the proposed EP Directive or Commission proposal, which means **a reduction in the original effect of 35%**.

The overall **exclusion of this sector** from the scope of the proposed EP Directive or the Commission proposal would mean **reducing the effect** of these proposed Directives by **CZK 0.9-2.1 billion**, which corresponds to approximately **0.04-0.08% of GDP**.

4.2.1.4 Educational sector

The implementation of the proposed Directive has a relatively important effect in general on the education sector (NACE 80). However the proposed EP Directive and Commission proposal reduce the impact of the original proposed Directive. The result is that the **growth in value added in this sector is approximately CZK 160 million or 28% lower**.

The proposed EP Directive and the Commission proposal also reduce the original positive impact on employment levels. **34%** reductions in the impact on job creation in this sector represent the creation of around **300 fewer jobs**.

Given the small size of this sector compared with other services, education achieves negligible results in terms of increase in exports as a result of the adoption of the original version of the Directive. Nonetheless the impact of the original proposed Directive on **exports** is **reduced by CZK 21 million, or 35%**.

Excluding this area from the scope of the proposed EP Directive or the Commission proposal would mean **reducing the overall impact of the Directive by CZK 0.4-0.9 billion, or 0.02-0.03% of GDP**.

4.2.1.5 Recreational, cultural and sporting activities sector

The recreational, cultural and sporting activities sector (NACE 92) is the only area out of all the services analyzed, which would suffer a significant negative impact as a result of the introduction of the original proposed Directive. However the proposed EP Directive and Commission proposal excludes audiovisual services (NACE 92.1 and 92.2) and gambling and betting activities (NACE 92.71) from the scope of the Directive. The nature of these excluded services varies and whereas a reduction of the positive impact can be assumed in the case of audiovisual services, the effect reduced in the case of gambling and betting activities is negative. Given that the original negative impact on gambling activities hugely outweighed the positive impact on audiovisual activities, the adoption of the Directive results in a major lowering of the original overall negative impact in this sector. The **negative effect on the growth in value added** resulting from the adoption of the Directive is thereby **reduced by more than CZK 1 billion, or 92%**. This major reduction of the negative effect is also influenced by the fact that the excluded gambling activities represent an important part of the overall NACE 92 category.

Excluding these activities also means **a reduction of 83% on the original negative effect on job creation**. This means that the original number of job losses which, as a result of the introduction of the Directive totalled over 600, is now reduced to just over 500.

However the original proposed Directive had a **positive effect on export growth** for the sector. This effect is now **reduced by approximately CZK 270 million or 87%**.

⁸ Some other services also suffered negative results. These effects were far lower than in the recreational, cultural and sporting sector and because of this were judged to be negligible. In the case of recreational, cultural and sporting activities, the results are not negligible, which does not necessarily mean that they were particularly important from the point of view of the overall impact of the Directive.

The impact of the adoption of the proposal by the EP and new Commission proposal is now for all practical purposes negligible.

4.2.2 The significance of the impact of the Directive on services outside the scope of this analysis

In this macro-economic impact analysis, impacts on selected service sectors were assessed in detail. Apart from these services, the proposed Directive also regulates other service sectors, which were excluded from detailed analysis.

On the basis of the results of a rapid review of the impact of the Directive on the economy of the Czech Republic, these sectors can be divided into the following categories:

Telecommunications content providers (NACE 64.2)

This category was assessed on the basis of data on the telecommunications sector (NACE 64.2). The framework for the assessment arises from a qualified estimate by KPMG that this type of service makes up 10% of overall sales for telecommunications operators.

It currently represents around 4% of the service's overall contribution to GDP after the implementation of the Directive. Major expansion of this sector is expected in the future, which would significantly increase its share⁹. For the purposes of this analysis, no account has been taken of exports of the service.

Post and courier activities other than national post activities (NACE 64.12), Extraterritorial organizations and bodies (NACE 99)

This category of services represents sectors having a relatively small effect on the economy of the Czech Republic. The effect on GDP and other indicators was calculated into the sector of post and courier activities other than national post activities and therefore also included in the analysis of the macro-economic impact.

The effect of other services from this category were not included in the analysis.

Electricity, gas, steam and hot water supply (NACE 40), Collection distribution and purification of water (NACE 41)

This category of services includes service sectors that are extremely important in terms of the economy of the Czech Republic. These are network-based services relying on business conditions that do not enable any significant competition. For this reason, we do not currently anticipate that they will suffer any significant impact from the implementation of a Directive on the market for these services.

An important trend, which influences the expansion of the production and supply of electricity, gas, steam and hot water supply is the present unbundling¹⁰ of energy and gas companies in the Czech Republic. This process is of such financial importance for these companies, as well as being so variable, that its outcome tends to marginalize the potential effects of the implementation of the Directive. Free trade of these services is also regulated by other EU laws.

⁹ From the point of view of present and future analyses of this sector, we can expect the fragmentation of the database, given the current moves to incorporate these services into socially and financially important telecommunications operators.

¹⁰ Unbundling separates the distribution of energy from the other business activities of electricity and gas companies (primarily trade) in order to facilitate competition in the energy markets.

5 Requirement to create single points of contact

The purpose of creating SPCs is to simplify the process of establishing service providers and for the cross-border provision of services within the EU. SPC facilitate access for service providers to the markets of other Member States by enabling any procedures and formalities needed to perform their activity as service providers to be conducted at these points, and in particular any necessary:

- declarations,
- notifications,
- applications for authorization from the competent bodies,
- applications for an entry into a register, records or database,
- application for registration with a professional body or association,
- application for an authorization needed to perform the activities falling under the category of services provided.

Member States must also ensure that the following information is easily accessible at the SPM for service providers and recipients:

- requirements binding on service providers,
- contact data for the competent bodies,
- means and conditions to access public registers and databases for providers and services,
- competent authorities, which are generally accessible in the event of dispute,
- contact details of associations, organizations or other bodies, from whom the providers or recipients may receive practical assistance.

The proposed EP Directive supplements this original list with **uniform guidelines containing information on uniform procedural measures**, which is provided to service providers and recipients by the SPM on demand. This amendment proposal is also part of the Commission's follow-up proposals.

Among other attributes of the SPM which are deserving of attention are their **use of electronic communications and language facilities**. The original proposed Directive had already established the fact that any procedures and forms should be easy to complete at a distance by electronic means, and a number of exceptions are listed (supplying original documentation, the physical presence of the applicant in cases of justified prevailing general interest). In cases of language facilities, the SPM of Member States and the Commission should support the SPM in ensuring that the information referred to above is also available in the other Community languages. In accordance with the EP proposal and subsequently with the new Commission proposal, this must comply with the legislation of Member States covering the use of languages.

The SPC may demand appropriate fees for their services, which means that fees for the procedures formalities dealt with by the SPC should be proportionate.

In its proposal, the European Parliament also set out that the SPC will be coordinated by the Commission through a **network of European single points of contact**. However, the Commission did not accept this amendment and it therefore is not included in its new proposed Directive.

Satisfying the requirement to create SPCs by using the similar institutional networks already existing in the CR

This subsection attempts to chart and provide a general assessment of the suitability of using the existing network of institutions to perform the activities of the SPC. In the CR at the present time, there are several institutions working as a network that provide assistance to entrepreneurs, by providing information on registration procedures or other advisory activities.

In order to carry out a general assessment of whether it would theoretically be possible to use any of the existing institutions to perform the functions of SPC, these were first identified and they were then assessed on the basis of previously selected parameters:

- *number* – in the opinion of KPMG, given the size of the CR, the maximum number of branches of this institution should be around ten. Any larger number of branches carrying out the activities of SPC would place more demands on their management, coordination and operation;
- *location* – the scope of the institution, or its branches, should cover the entire CR (e.g. at a regional level);
- *founder* – the delegated activities of SPCs would appear to be more simple if the founder of the given institution is the State (on the basis of a legal act – law, decree). In the case of a private institution, a relationship will have to be created between this institution and the State, and the given institution would undertake the activities of an SPC for payment;
- *functions discharged* – during the assessment, consideration should be given to whether the existing functions discharged are of a nature that directly relates to the functions discharged by an SPC;
- *electronic communications capability* – i.e. whether electronic means are employed to discharge the existing functions of the institution (for example, whether electronic registration is supported);
- *language skills* – the Commission emphasises the provision of information in other Community languages. This parameter was taken into consideration despite the fact that this requirement has not yet been specified and must also comply with Member States legislation on the use of languages.

The positive and negative aspects of specific networks of institutions in relation to their ability to discharge the functions of an SPC were then defined on the basis of these parameters.

5.1.1 Central registration points for entrepreneurs

The nationwide network of Central registration points for entrepreneurs (hereinunder referred to as CRPs) was created during the implementation of the first stage of the SAP project¹¹. The CRP emerged within the framework of the Trades Licensing Authority as offices for the registration of a natural person or a corporate entity conducting business regulated by the Trades Licensing Act.

The CRPs are important in that people starting out in business as well as those with well-established enterprises can use the professional help and advice of CRP employees when visiting the Trades Licensing offices, even for basic tasks touching on their registration obligations towards tax offices, the social services and, in some cases, even the labour exchange.

¹¹ Simplifying administrative procedures for starting up a business and running it

Name	Central registration points for entrepreneurs
Number	242
Location	trade licensing offices
Established	2005
Founder (State or private organization)	trade licensing authority
Functions related to SPC activities	<ul style="list-style-type: none"> • provision of an extensive information service • provision of the necessary forms for tax registration and registration with the social services (although the entrepreneur must deliver the completed form to the appropriate office (tax office or social services offices) in person) • by 2006 – 2007 all tasks related to registration will take place in a single location
Functions unrelated to SPC activities	<ul style="list-style-type: none"> • they receive information concerning job offers from entrepreneurs and hand them on to the labour exchanges
Electronic communications capability	-
Language skills	-

The advantage of using the CRP network for the purposes of the SPCs is that most of the functions they discharge relate directly to the SPCs and they are run by the State through the Trade Licensing Authority.

On the other hand, the CRPs would not be suitable as SPCs by virtue of their high numbers which, in itself, is very demanding in terms of management and coordination and its relatively high level of costs. Also, the individual tasks (registration) cannot currently be performed electronically at a distance and only Czech is used to discharge its functions.

5.1.2 Information points for entrepreneurs

In September 2003 the Czech Chamber of Commerce implemented the "Information points for entrepreneurs project (hereinunder referred to as "InMP"). The primary objective was to provide assistance to small and medium-sized firms for whom the Czech Republic's accession to the EU represented a high level of risk.

Separate coordination points were set up on a central and regional level to create the InMP network:

- **central registration points**– are run through the Czech Chamber of Commerce and provide management and coordination for the network, public bodies and foreign corporations;
- **regional coordination points** – are run through regional chambers of commerce and ensure the management, control and coordination of all activities of the regional information points and their regional branches.

In addition to these centres, which are coordinated by the InMP network geographically, **sectoral coordination points (SCPs)** were also established and their founder and operator is an organization - Hospodářské komory ČR which specializes in problems concerning specific areas of business.

The InMP project contact points are the **regional information points (RIPs) and their branches (ERIPs)**. The founder of the RIPs is always the regional chamber of commerce.

Name	Information points for entrepreneurs
Number	1 central coordination point 14 regional coordination points 18 sectoral coordination points 78 regional information points Anticipated combined workforce: 205
Location	in 78 towns in the CR, the aim is to create RIPs or ERIPs in every grade III municipality
Established	2003, currently undergoing an expansion of the ERIP network
Founder (State or private organization)	Czech Chamber of Commerce

Functions related to SPC activities	<p><i>RIPs and ERIPs provide, free of charge:</i></p> <ul style="list-style-type: none"> • general information on the conditions or changes in the business environment within the framework of the EU and the internal European market • information on Czech legislation for business people • advisory services – general, mediating specialized, legal, economic, organizational (integrated with other organizations and institutions to support SMEs) • individual advise on EU-related problems • information on CEI and CEBRE products as well as on services offered by other information centres - EuroInfoCentra, RPIC, BIC,
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<p>CzechTrade agency centres and other institutional support for SMEs (on a regional or national level)</p> <ul style="list-style-type: none"> • information on foreign relations (only for border regions) <p><i>The SCP provide:</i></p> <ul style="list-style-type: none"> • general information on the conditions and changes affecting the business environment within the framework of the EU and the single European market, primarily in relation to areas covered by the SCP • information on Czech legislation for entrepreneurs, primarily in relation to areas covered by the SCP
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Functions unrelated to SPC activities	<p><i>the RIP and ERIP provide, free of charge:</i></p> <ul style="list-style-type: none"> • information service (information on information) including general information on the region • specialist regional information • information on SME programme support on a regional and a national level • a range of educational programmes (related to the regions and the centre) • a summary of funding options for businesses from the support programmes <p><i>SCPs provides:</i></p> <ul style="list-style-type: none"> • a complex information service on each of the sectors covered by the OKM • specialized information on each of the sectors covered by the OKM (sometimes for a fee) <p><i>InMP also provides commercial services:</i></p> <ul style="list-style-type: none"> • electronic auctions - the option of participating in on-line selection processes, supplying products, announcing the "organiser" (an InMP client) • sales of environmental manuals • CEBRE services (Czech business representation at the EU) • use of the Patria plus internet portal • publishing economic reports - BIR
Electronic communications capability	electronic auctions
Language skills	-

Some of the InMP activities directly relate to the SPCs, primarily the provision of information. As far as the number and location of InMP is concerned, it would appear that the most suitable for the purposes of the SPCs would be to use the 78 RIP. The 205 employees (RIP + ERIP) are too many to perform the functions of the SPC. InMP is state-owned through the Czech Chamber of Commerce. Some of the activities of InMP are already performed electronically (electronic auctions).

InMP does not cover the procedures and formalities relating to the launch of entrepreneurial activities (notification, registration). Because InMP clients are Czech companies, all information is only provided in Czech.

5.1.3 Euro Info Centres

The Euro Info Centres (EIC) were set up throughout Europe by the European Commission – DG Enterprise at the end of the eighties and currently comprise a network of around 300 offices, not confined simply to the EU Member States. The EIC are intended to act as points of first contact where applicants either receive the information they need, or are directed to the place where they can find that information. The individual EIC are set up on the basis of an agreement between the Central Administration and the host organization (in the CR this is generally the regional development agencies).

The EIC mission is to support small and medium-sized enterprises by providing information and advisory services to facilitate their access to the single European market and to develop international cooperation between companies.

Name	Euro Info Centrum
Number	7
Location	Prague, Brno, Ostrava, Plzeň, Pardubice, Liberec, Most
Established	1999
Founder (State or private organization)	Prague - Centre for regional development Brno - Chamber of Commerce and Trade Ostrava - Agency for regional development, a.s. Plzeň – BIC (Business and Innovation Centre) Pardubice - Regional development agency for the Pardubice region Liberec - Agency for regional development, s.r.o. Most - Regional development agency for the Ústí region, a.s.
Functions related to SPC activities	<ul style="list-style-type: none"> • information on regulations, directives and other legislation from the European Community, on administrative and technical barriers to free trade within the framework of the single European market and the processes for their elimination • information on other institutions in the CR and abroad where the required information can be found • consultation and training to access information on conducting business in the EU, which is available on the internet • assistance to Czech companies entering the European Union markets

Functions unrelated to SPC activities	<ul style="list-style-type: none"> • information on programmes, project and events to support business in the EU • information on official publications covering business problems, issued by the European Commission • consultation and training to enable Czech companies to participate in selection processes (tenders) within the EU • assistance in entering into manufacturing and trading relationships with foreign partners • assistance in involving Czech companies in European programmes and events to support business
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Electronic communications capabilities	Email
Language skills	Czech, English

The EIC currently provides a wide range of information, which directly relates to the information to be provided by the SCPs. The total of 7 EICs exercising their activities in different parts of the CR may suffice for the purposes of the SCPs. The EICs are able to communicate in both English and in Czech.

Operations performed by entrepreneurs and relating to their activities (declarations, registration) cannot be performed through the EIC. Each EIC in the CR is run by a different institution (the host organization), which restricts any uniform coordination and management activities.

5.1.4 Regional advisory information centres (RAIC)

Based on existing centres in other EU Member States, Regional advisory information centres were established in the Czech Republic from 1992 (RAIC). These are advisory bodies which were selected on the basis of recommendations from regional authorities (district authorities, municipal authorities, labour exchanges, etc.) and which proved to be reliable providers of advisory and information services to small and medium-sized enterprises in the regions. This means that RAIC include both public bodies (some regional chambers of commerce), and private enterprises.

Name	Regional advisory information centres
Number	35
Location	in each region
Established	from 1992

Founder (State or private organization)	various - state (regional chambers of commerce), natural persons, legal entities
Functions related to SPC activities	-
Functions unrelated to SPC activities	<ul style="list-style-type: none"> • provide free initial consultation and preferential rates for business consulting services • assist in drawing up business plans and implementing projects • mediate bank credit • provide information on regional support programmes • organize training seminars for entrepreneurs
Electronic communications capability	Email
Language skills	Czech, English

The RAIC operate in each of the regions of the CR and a number of them are able to communicate in both Czech and in English. However, the RAIC network would not appear to be a suitable candidate for the SPCs, principally because of the functions they perform and the type of organization that operates as a RAIC. The activities carried out in these centres are not directly related to the SPCs. The structure of organizations acting as RAICs is very varied, which means that in certain regions public bodies perform this function, while in others it is carried out by private firms.

Summary of the possibilities of using networks of institutions existing in the CR to create SPCs

The institutional networks we have reviewed do not currently meet all the criteria we have set. In terms of the information we have obtained, the activities performed by the EIC and InMP are closest to the SPC concept. The activities of the CRP come close to the second area of activities performed by the SPCs, involving dealing with the formalities associated with registration for example. The activities of the RPIC do not directly relate to the SPC.

Most of the existing networks more or less meet the condition concerning their number and location, except for the CRP, which are too numerous for the purposes of the SPC. The CRP and InMP are under the control of public bodies. The EIC are not run by a single state institution, but each EIC has a different founder. The structure of the RAICs is made up of both public and private bodies, which is not suitable for the purposes of coordinating and managing SPCs.

In order to make a qualified assessment of the options available to meet the requirements of the SPCs, the existing usable capacity of individual institutional networks must be mapped out and

assessed in more detail to evaluate the possibilities of achieving a synergetic effect and to carry out a detailed calculation of the costs of setting up and running SPCs given the available options.

6 Conclusion

The adoption of the proposed Directive on Services as amended by the EP on 16.2.2006, or the related proposed Directive on Services as amended by the Commission on 4.4.2006 will have positive impacts on the economy of the CR, which will be expressed through growth in GDP, employment levels and increased exports. The effects arising from the adoption of one of these proposed Directives are however lower in comparison with the original draft.

According to the analysis of the economic impacts of the consolidated version of the original proposed Directive of 30.5.2005, which KPMG drew up in November 2005, the implementation of this proposed Directive would result in the positive impacts significantly outweighing the negative ones. However, the proposed Directive by the EP and the current Commission proposals reduce the level of eliminated barriers from that originally proposed, as well as excluding further service sectors from the scope of the Directive. The lower effect of the economic impacts we originally calculated is reflected in a reduction of both the positive and the negative impacts of the original proposed Directive.

The only area where the original proposed Directive had a more negative impact was the category of recreational, cultural and sporting activities. The EP and Commission proposals on the Directive exclude gambling and betting activities from this service sector, resulting in the almost complete elimination of this negative impact.

However, in most of the other service sectors, the amendments made to the original proposed Directive have resulted in a significant reduction in the positive impacts. Overall, the proposed amendments contained in the proposed Directive by the EP as well as in the current Commission proposal will bring about less positive impacts compared with the original version of the Directive.

The proposal by the EP also differs from the consolidated version of the original proposed Directive of 30.5.2005 and from the new Commission proposal in that it lacks a number of provisions concerning screening, which further reduces the effectiveness of the proposal by the EP in eliminating barriers in the individual Member States. The current Commission proposal retains the provisions relating to the screening requirement.

7 Annexes

Annex 1: Abbreviations for the names of service sectors used in the analysis

Description of Services Analyzed		
NACE number	Name of the service sector according to the NACE classification	Abbreviated name of the service sector used in the analysis
45	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	Sale, maintenance and repair of motor vehicles
51	Wholesale trade and commission trade except for motor vehicles and motorcycles	Wholesale trade
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	Retail trade
55	Hotels and restaurants	Hotels and restaurants
63	Supporting and auxiliary transport activities; activities of travel agencies and tour operators	Supporting and auxiliary transport activities
70	Real estate activities	Real estate activities
71	Renting of machinery and equipment without operator and or personal and household goods	Renting of machinery and equipment
72	Computer and related activities	Computer related activities
73	Research and development	Research and development
74.1	Legal and accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings	Legal and accounting services
74.2-74.8	Other business activities (except for NACE 74.1)	Other business activities except for NACE 74.1
80	Education	Education
85	Health and social work; veterinary activities	Health and social work; veterinary activities
90	Sewage and refuse disposal, sanitation and similar activities	Sewage and refuse disposal
92	Recreational, cultural and sporting activities	Recreational, cultural and sporting activities
93	Other service activities	Other service activities